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Weighing up the gold funds

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Lloyds: How the underwriters perform

LAKER AIRWAYS
The rise and fall of Sir Freddie Mackay
CARE
Why they cost more in Britain

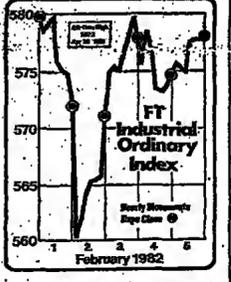
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Luxury train journeys of the world

NEWS SUMMARY

GENERAL
Schmidt wins vote of support
West German Chancellor Helmut Schmidt won a unanimous vote of confidence from his left-liberal coalition after months of wrangling which threatened to undermine his authority.
In a Bundestag vote all 289 Social Democrats and Free Democrats expressed confidence in him. All 226 Christian Democrats and Christian Social Union members, the opposition parties, voted against. Back Page

BUSINESS
Sterling off 1.1c; gilts up by 0.20
STERLING weakened late, mainly on proposals for lower North Sea oil prices. It lost 1.1 cents to \$1.559, and fell to DM 4.325 (DM 4.2775) and SwFr 2.5975 (SwFr 3.515). Its trade weighted index was 91.6 (91.7). Page 19
DOLLAR was slightly firmer. It closed at DM 2.346 (DM 2.3425), SwFr 1.888 (SwFr 1.8815) and Y233.6 (Y233.25). Its trade weighted index was 111.3 (111.4). Page 19
GOLD fell \$0.25 to \$384.25 in London. Na New York the Comex February close was \$384.8. Page 19
GILTS were again supported by hopes of lower international interest rates. The Government Securities Index added 0.20 to 65.15. Page 20
EQUITY leaders closed a volatile week on a rising note. The FT 30-share index ended at the day's best with a 3.3 gain to 578.1, for a net 1.7 loss on the week. The FT-Actuaries Industrial group index finished at a record high of 320.70. Page 20
WALL STREET was up 6.28 to 853.31 near the close. Page 16
U.S. UNEMPLOYMENT rate fell to 8.5 per cent last month, its first drop since July. But the unexpected fall could reflect a statistical quirk rather than an improvement in the economy. Page 2
ITALIAN government announced the end of its import deposit scheme almost a month before the scheduled expiry date. The measure was introduced last May to stem the trade and payments deficit. Page 2
VAUXHALL, the General Motors subsidiary, captured 11.8 per cent of the UK new car market last month. Page 3
SEALINK UK said it was prepared to revoke its decision to pull out of the Newhaven-Dieppe ferry service, following concessions from SNCF, its French partner, on management of the route. Back Page
UK SHIPPING industry will move away from centralised pay bargaining in the next few years towards settlements by company and by sector within the industry. Back Page
FOKKER, the Dutch aircraft group, and McDonnell Douglas of the U.S., said they had pulled out of a joint project to develop a 150-seat airliner. Back Page
CNI Homerwell Buil, the French computer group in the process of nationalisation, incurred net losses of FF430m (£88.76m) last year, against net profits of FF180m previously. Page 17



Stance on MSC
TUC nominees on the Manpower Services Commission say they will fight any attempts by new chairman David Young to cut MSC services Page 3; Man in the News, Back Page

Suicide queried
Parents of Dr Neil Aggett, who died while detained by police under South Africa's anti-terrorism laws, could not accept that he committed suicide. Page 2

Missile claim
West Germany held the Soviet Union responsible for a medium-range nuclear missile was at an all-time high. There was no sign of a thaw stopping deployment of SS-20s.

Soviet expelled
U.S. said Major Vasily Chitov, Soviet military attaché in Washington, was expelled for activities "inconsistent with his diplomatic status."

KGB search
KGB officers searched the flat of Soviet dissident writer Georgy Vladimov and briefly detained his wife for questioning.

Boyson's attack
Education Minister Dr Rhodes Boyson attacked the "permissive age" of the late states and said the Ten Commandments were still a good start in life.

Pylke stopover
British businessman Andrew Pylke, jailed for 17 months without trial in Iran, stopped in Athens on his way home.

Toxteth denial
Merseyside Chief Constable Kenneth Oxford denied that Toxteth, Liverpool, was on the brink of riot.

Refugees shelled
Vietnamised troops shelled a refugee camp on the Thai-Kampuchean border an hour before Foreign Secretary Lord Carrington arrived for a visit.

All-male vote
Liechtenstein's 5,200 men vote tomorrow in elections to the 15-seat Parliament. Women are denied a vote.

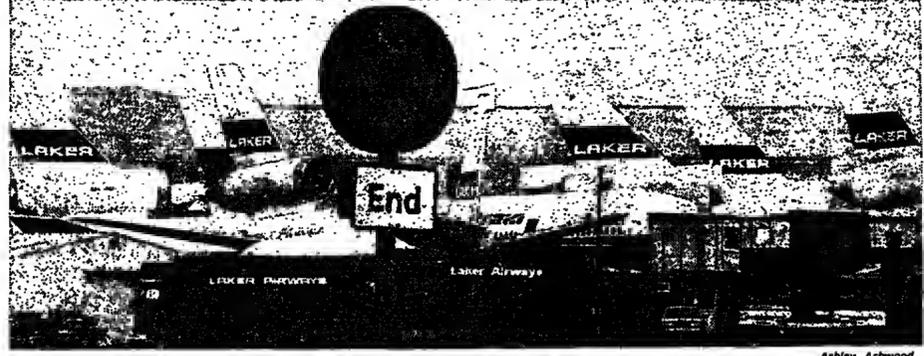
£70,000 bagged
A woman's handbag, containing £70,000, was stolen at Waterloo Station, London. The woman told police the cash was from a property deal.

Briefly
London marathon attracted 60,000 applicants—over twice the expected number.
The Queen will spend today—the 30th anniversary of her accession—at Sandringham.

CHIEF PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISERS		FALLS	
Brecher 114pc '88	£901 +	Saga Holidays	161 + 5
Treas 184pc 1986-£1083	+ 10	Securitor A NY	222 + 10
Amstrad	230 + 10	Smith St Aubyn	48 + 5
Assed Fisheries	73 + 3	Sound Diffusion	71 + 5
BAT Inds	431 + 19	Tosser Kemley	73 + 4
Yarrow	287 + 11	De Beers Dfd	359 + 9
Blundell-Permgloze	115 + 11	Hong Kong Tin	475 + 25
Bowler	90 + 20	Killinghall Tin	700 + 25
Darvies Newman	84 + 4	Kiota Kellas	750 + 25
Fitch Lowell	217 + 9	Pengkalen	450 + 90
Hadoo	218 + 5		
Horizon Travel	332 + 12		
Intasun	111 + 6		
Lee Refrigeration	240 + 10	Hay (Norman)	48 - 7
Lloyd (F.H.)	444 + 43	UEM	56 - 4
Muirhead	184 + 4	LASMO	350 - 14

CIVIL AVIATION AUTHORITY MAY REVOKE LICENCES OF FAILED AIRLINE



Receivers to decide on fate of Laker within six days

BY MICHAEL DONNE AND ALAN FRIEDMAN

THE RECEIVERS appointed yesterday to take over the affairs of Laker Airways have been given six days to decide whether to keep the airline flying or shut it down completely.

Mr Bill Mackay and Mr Nigel Hamilton, partners of Ernst and Whinney, the chartered accountants, were appointed by the Clydesdale Bank yesterday morning after Laker Airways had decided to cease operations.

The Civil Aviation Authority, which governs the issue of all route licences to UK airlines, yesterday told Mr Mackay it intended to withdraw Laker's licences unless the receivers could show within six days that there was a good chance of the airline flying again.

Mr Mackay made it clear at a Press conference last night that he thought this was unlikely. The Skytrain North Atlantic service was not likely to continue, he said.

The receivers, who are to have talks with Sir Freddie Laker today, had already received three inquiries from 1966: Laker Airways founded 1977, September: Skytrain starts to New York 1980, March: \$25m Exim Bank loan 1981, January: Midland Bank-led syndicate signs \$131m Airbus procurement loan (three aircraft plus seven options) 1981, August: Laker seeks debt rescheduling 1981, November: British Airways, Pan Am, Trans World move against Laker by slashing fares on Atlantic run 1981, December: Laker survival package agreed in principle 1982, January: Laker severely hit by bad weather, rail strikes and low load factors 1982, February 2: Laker expresses optimism on recovery and future 1982, February 3: Civil Aviation Authority consults Midland Bank on Laker 1982, February 4: Crisis talks at Midland Bank 1982, February 5: Laker asks Clydesdale Bank for Receiver: Mr William Mackay and Mr Nigel Hamilton appointed.

British companies concerning the possible purchase of parts of the Laker business. It would take at least seven days, however, to make an assessment of the degree of interest in the business.

Mr Mackay explained: "This sort of business is not the sort of business that lasts long after the appointment of the receiver. I will sell it quickly or not at all."

The full statement issued after the board meeting said: "It was announced on December 24 1981 that agreement had been reached in principle on the restructuring of Laker's financial affairs with a view to securing its long term viability. "On Monday night it was firmly believed that the most stringent of these conditions had been met and that the way forward was clear. However, on Wednesday events took a sudden and dramatic turn. "Yesterday (Thursday), the facilities available to the company from its bank, Clydesdale and the arrangements reached with Mr Donnell Douglas are unhappily not considered adequate by others to meet the anticipated requirements of the company over the next few months, although Laker strongly disagree with this view. "However, as the holiday season approaches, Laker are vitally concerned that there is no risk whatsoever that passengers are stranded as a result of the airline's collapse in the summer months. Continued on Back Page

Britons airlifted in thousands from holiday resorts

BY ARTHUR SANDLES

THOUSANDS OF British holidaymakers are being airlifted out of Mediterranean, Caribbean and American resorts this weekend as the travel industry's rescue system swings into action in the wake of the Laker collapse.

Tour operating business leaders called in about £5.2m from Sir Freddie's bankers, moody which all four operators have to lodge as guarantees against financial disaster. This "bond" cash will go in repayments to tour customers, and on funding the rescue of those already on holiday.

First rescued were 127 Laker clients brought back to Gatwick from Malaga last night by the Thomson subsidiary Britannia Airways. More than 6,000 Laker tour and charter passengers are overseas.

Passengers holding non-tour or charter tickets are not bonded and in theory tickets are simply evidence of a claim against Laker.

Last night, however, many transatlantic airlines offered to honour these tickets despite the fact that they might prove to be of little value.

All the help and rescue efforts were insufficient to prevent fearful airport scenes as holiday plans were ruined for hundreds.

One Laker aircraft leaving Manchester for Tenerife earlier so the morning before the receivership was announced was turned back in mid-flight, presumably for fear that on arrival in Tenerife it would be impounded by local hoteliers and others seeking security for their debts against the airline.

Other passengers on an Airbus at Manchester were turned off minutes before the scheduled take-off time when the pilot was informed of the collapse. The passengers had to return duty-free goods they bought before boarding.

Mr Adam Thomson, chairman of British Caledonian, said his airline would carry back home any Laker North Atlantic passengers stranded in the UK or U.S.

Tickets on British Caledonian North Atlantic scheduled services would be provided, on presentation of the return half of Laker Airways tickets. This offer applied only to passengers stranded away from home, not to Laker North Atlantic passengers who had not started their outward journeys.

Laker's tour-operating side, Arrowsmith and Laker Air Travel, together made Sir Freddie Britain's sixth largest package holiday group, carrying about 520,000 people on summer holidays last year.

As Laker slashed prices and marketed aggressively, so its tour subsidiaries became Britain's fastest-growing major group.

If his 1982 ambitions had been realised he might have brushed aside Cosmos and Horizon to rival Tatasun and Sovereign-Enterprise (British Airways) to enter the top three with Thomson, the market leader.

The Laker departure thus leaves a potential 400,000-passenger gap at least in the 6m plus UK package tour market.

Tour operators last night were predicting a rush for summer holiday bookings today, since a market which until yesterday was over-supplied suddenly looked tight.

Last night most major travel agents offered instant refunds of Laker monies paid to them, and rival operators eagerly offered alternative trips.

Government may investigate, Page 3; Feature, Page 12; Lex, Back Page; Air Florida pilots "joked about ice," Page 2; SAS-Air France row settled, Page 2; Boeing lay-offs, Page 2; McDonnell Douglas quits joint project with Fokker, Back Page

BNOC set to reduce North Sea oil prices

BY RAY DAFFER, ENERGY EDITOR

NORTH SEA oil prices are set to fall by \$1.50 a barrel to a new reference level of \$35 (€18.82). The move—made in the face of a collapsing spot market—will put pressure on members of the Organisation of Petroleum Exporting Countries (Opec) to reduce their official rates.

British National Oil Corporation, the leading trader of North Sea oil, is expected to announce across-the-board reductions in UK crude prices early next week, probably on Monday.

The cuts will reduce the Government's North Sea tax revenues by between £200m and £300m in a full year, although this loss would probably be partly offset by a consequent weakening of the pound against the dollar. Oil is priced in dollars.

The proposed reductions are being made in response to market forces which have already sent international product prices spiralling downwards. In the UK there is still no sign of an end to the petrol price war which, in the past month, has lowered the average price of petrol by over 10p a gallon.

Only three months ago BNOC raised the reference price of North Sea crude by \$1.50 a barrel to \$36.50. The State-owned corporation was hoping to maintain this level, at least until the end of March when prices were due to be reviewed.

But within the past fortnight BNOC has come under increasing pressure from major oil companies—like British Petroleum, Shell and Esso—which have seen the spot price of North Sea crudes plummeting. With this in mind some companies have been urging BNOC to slash contract rates by as much as \$3 a barrel.

A combination of factors has led to the new oil pricing middle. In spite of the recent cold spell in Western Europe and the U.S., companies continue to hold large stocks of oil. Increasing output of non-Opec countries, like the UK and Mexico, is swelling international supplies.

As a result of the likely BNOC move, some grades of high quality North Sea oil will be cheaper than most inferior grades produced in the Middle East.

Although all producers will be forced to reappraise their pricing stance in the light of the UK move, it will be the African producers of high grade oil which will have the most difficulty in defending their present price levels. Libya, for instance, is charging official prices of \$36.50-\$37 for crudes of similar quality to those produced in the UK.

UK imposes sanctions on Poland

By David Buchan and Paul Cheeswright

THE UK yesterday became the first European member of Nato to impose sanctions against Poland and the Soviet Union since the start of martial law in Poland eight weeks ago.

The cost of the sanctions to the UK this year is likely to be at least £100m. This results from the decision—agreed with other Western official creditors on February 3—to suspend discussions on the rescheduling of Poland's 1982 official debt.

The sanctions were announced in the Commons by Mr Humphrey Atkins, Lord Privy Seal. They are part of a Nato effort to show that the Western alliance is united in condemning the military takeover in Poland by General Jaruzelski, and the role of the Soviet Union in supporting it. It is unclear, however, how quickly other allies will follow suit.

The immediate effect of the economic measures is to hold British commercial deals with Poland to a minimum. Trade measures against the Soviet Union are also being considered.

Continued on Back Page
Poles see fall in output, Page 2

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OVERSEAS NEWS



Gen. Geldenhuys

White union leader dies in Johannesburg cell

BY BERNARD SIMON IN JOHANNESBURG

A PROMINENT South African trade unionist has died in police custody two months after being detained under the country's security laws. Dr Neil Aggett, 47, was found dead in his cell at John Vorster Square, Johannesburg's police headquarters. According to the Commissioner of Police, Gen. Mike Geldenhuys, "everything indicates that he committed suicide."

Dr Aggett is the first white security detainee to die in custody. His death is bound to revive memories of the black consciousness leader, Steve Biko, who died in a Pretoria prison in 1977 after allegedly being tortured by police interrogators. Almost 50 people have died in police custody since 1966.

South Africa's stringent security laws allow for indefinite detention without trial. A Judicial Commission of Inquiry into

security legislation, whose report was published earlier this week, proposed that the system should be retained but with limited safeguards against the mistreatment of detainees.

The Minister of Police, Mr Louis le Grange, assured Parliament on Wednesday that measures had been taken to prevent security detainees "harming themselves or committing suicide."

About 130 people are currently detained under security laws. No reason has been given for their imprisonment, but Mr le Grange has indicated that the authorities are preparing a trial later this year in which a comparatively large number of accused will face charges of subversion and support for the banned African National Congress (ANC).

Parents of other detainees gathered outside John Vorster Square yesterday morning, demanding to see their children to ensure that they are still in good health.

Criticism of the wide powers given to the authorities under security laws is gradually mounting in South Africa.

● Strikes and work stoppages rose by 65 per cent in South Africa last year over the previous year, "according to the Department of Manpower. A total of 342 strikes, involving 93,000 workers (all of them black), were recorded in 1981. The figures do not include go-slows, bans on overtime or other increasingly prevalent forms of worker pressure on companies.

Shock for Opposition in first Irish election poll

By Brendan Keenan in Dublin

THE FIRST opinion poll published since the Irish General Election was called has produced a severe shock for the Opposition and in particular for its leader, Mr Charles Haughey.

Despite the harsh budget and the defeat of the Government, the poll shows the two sides running neck and neck, in virtually the same position as that which produced last June's deadlocked Parliament.

But the outgoing premier, Dr Garret FitzGerald, has opened with a 20 point lead over Mr Haughey as the voters' choice for Taoiseach (Prime Minister). The poll, conducted by Irish Marketing Surveys for the Irish Times, shows that 51 per cent of the electorate prefer Dr FitzGerald, against only 41 per cent for Mr Haughey.

Dr FitzGerald said he was not surprised by the poll. He had believed all along that the electorate would see that the budget was necessary.

The Opposition's director of elections, Mr Albert Reynolds, pointed out that the poll showed the electorate thought Fianna Fail would handle most of the major issues better, including unemployment, which over 40 per cent thought was the most important issue.

One of the few issues on which the coalition Government scored better was Northern Ireland, where 30 per cent favoured its approach, as against 28 per cent for the Opposition. This suggests some endorsement of Dr FitzGerald's conciliatory approach and his desire for change in the Republic.

There is already some talk in Fianna Fail that the party would be faring much better under a different leader. Mr Reynolds said that Mr Haughey had been the subject of a vicious personal campaign.

Whatever the reasons for Mr Haughey's low standing, it is clear that even a narrow win could leave him with problems in his own party. In the circumstances of this election, anything less than a sound overall majority could be something of a Pyrrhic victory.



Military resumes control in Suriname

By Charles Satchelor in Amsterdam

THE ARMED forces of the former Dutch colony of Suriname have resumed direct control of the country, forcing the civilian administration out of office.

The military stepped in when it became clear that the Government of Mr Henk Chin-Sen, the Prime Minister, could no longer function. Lt-Col Desi Bouterse, leader of the Military Council, announced his takeover.

Confirming reports of the return to direct military rule, the Suriname Embassy in The Hague said the situation in Paramaribo, the capital, was calm.

Suriname, on the northern shoulder of South America, has been under a state of emergency since August 1980. There will be no "tightening of the screws", an embassy official said.

The intervention by the five-man Military Council resulted from a growing conflict within the civilian Cabinet over proposals for a new constitution. Under the draft which has been under consideration in recent months, a French-style presidential system would be introduced.

The resumption of power by the armed forces was necessary to allow a fundamental solution of the problems facing the country, Col Bouterse said.

He promised that the military would resolve the difficulties as quickly as possible. There was no reason for panic, he added, calling on the population to support even more firmly the aims of the revolution.

The army took power in Suriname in February 1980, just over four years after the Dutch pulled out after 300 years of colonial rule. A civilian administration was appointed three weeks later but supreme control remained in the hands of the military council.

The military resumed direct control of government in August 1980, forcing the President, Mr Johan Ferrier, out of office. Mr Chen-a-Sen, Prime Minister at the time, was asked to take over the Presidency as well. He has remained in power ever since, but hinted several months ago that he would resign unless there was a swift return to democracy.

Italy drops import deposit scheme

BY RUFERT CORNWELL IN ROME

AS NEW evidence emerged of a slowdown in Italy's inflation rate, the Rome Government announced the end of the controversial import deposit scheme it imposed last May—almost a month before the scheduled expiry date of February 23.

The measure, introduced to stem a huge trade and payments deficit, provided for the mandatory deposit of 30 per cent of the value of shipments by importers for a period of three months.

It was originally to last only until October, but the authorities then decided to phase it out gradually over the subsequent five months. Recently, the deposit required has been only 15 per cent.

The decision reflects a marked improvement in Italy's balance of payments. But it is also an attempt to put psychological pressure on Paris to drop its protectionist curbs on Italian wine imports, which Rome fears might be extended to other Italian goods.

Sig Nicola Capria, the Foreign Trade Minister, declared after yesterday's Cabinet meeting

that the scheme was no longer necessary. "With this behaviour," he said in a clear reference to France, "we are asking other European countries not to adopt protectionist policies."

Further good news has come with statistics showing a drop in Italy's inflation in January, bringing the 12-month rate to 17.3 per cent, a full percentage point down on the December figure of 18.3 per cent.

Yesterday's cut in the petrol price, the first in 21 years, has also fuelled hopes that inflation, long planned at 20 per cent or more, may be moving down closer to the European average.

Since the summer, the country's trade figures have improved notably, as exporters, helped by higher productivity and 1981's two lira devaluations, have exploited their extra competitiveness.

According to Sig Nino Andreatta, the Treasury Minister, the current payments deficit dropped from L7,000bn (€3bn) in the first half to L2,000bn in the second six months of last year.

Poles see 10% fall in output

By Christopher Bobinski in Warsaw

POLAND'S planners have scaled down the country's expected economic performance in the first quarter of the year, according to the economic weekly *Zycie Gospodarcze*.

The latest issue of the journal reports that the drop in industrial production this quarter, compared with the same three months last year, will be between 10 and 11 per cent. Two weeks ago, the Planning Commission had estimated a drop of between 8 and 10 per cent.

More optimistically, the planners have now raised their estimate of the amount of meat the state will be buying from the farmers by 22,000 tonnes to 432,000 tonnes in the first quarter. The estimate for the second quarter has also gone up by 58,000 tonnes to 418,000 tonnes.

An extra 700,000 tonnes of oil is expected to be refined in the first quarter to bring the total amount refined up till March to 3.5m tonnes—1 per cent down on the same period last year.

In a sign that the authorities are placing the highest priority on coal production, additional amounts of scarce hard currency are being assigned to imports of machinery for the mines.

Plants producing mining machinery and equipment are to be switched to a six-day week. According to official figures, daily coal production is higher than last year.

This, taken with compulsory Saturday working, albeit at more than twice the normal pay rates, means that in theory, coal production this year could reach 136m tonnes, 23m tonnes more than in 1981.

However, the authorities have already admitted that the most important brake on production is not labour but shortages of equipment and spare parts.

On January 22, Gen Czeslaw Piotrowski, Mining Minister, told a parliamentary commission: "We must realistically take into account that the present rate of production will drop as early as February" as a result of these shortages. Thus the annual plan for coal has been set at between 170m and 175m tonnes, compared with 163m tonnes in 1981.

It is not clear how the latest decisions on hard currency and additional machinery will improve this situation.

● A military court has sentenced nine men to prison terms of between three and seven years for leading a strike at the Ziemowit mine in Silesia between December 15 and 24 last year. The strike was in protest against the introduction of martial law on December 13.

Another military court sentenced six Solidarity activists in north-western Poland to terms of between one year and four-and-a-half years for continuing union activity. The men were charged with setting up a strike committee for the Slupsk region, presumably just after December 13.

In Gdansk, courts have fined and sent to prison 134 of those arrested during clashes with police there on January 30. The prison terms range from three months to one month.

David Satter reports from Moscow: The Communist Party newspaper *Pravda* yesterday suggested that the Polish Communist Party should take decisive action to build on the "stability" that martial law had given the country.

The newspaper said that martial law had re-established order in the streets and created the conditions for a normal working life, but strengthening of the foundations of the Polish state would require decisive and consistent action by the Polish party.

Air Florida crash pilots 'joked about ice' before take-off

BY ANATOLE KALETSKY IN WASHINGTON

THE PILOTS of the Air Florida jet which crashed here last month, killing 78 people, joked about the build-up of ice on the wings of their own or other aircraft and appear to have carried out an unusual manoeuvre just before take-off to enable another aircraft's exhaust fumes to clear the ice off their wings.

There may also have been pressure on the pilots to take off once they had reached the runway because an incoming aircraft was in its final approach, after the Air Florida jet had been cleared for take-off.

The National Transportation Safety Board, which has released a transcript of the Air Florida Boeing 737's voice recorder tapes, has emphasised that no conclusions about the cause of the crash should be drawn until its investigation has been completed.

However, the conversation between the pilot and co-pilot in the 30 minutes before the aircraft crashed into a bridge over the Potomac River, less than a minute after take-off, seems to reinforce the theory that accumulations of ice on the wings may have been responsible.

Twenty minutes before take-off, the pilot, Larry Wheaton, remarked: "It's been a while since we've been de-iced. Seven

Boeing layoffs

Boeing, the largest U.S. aircraft manufacturer, yesterday said it will have to lay off a further 4,000-5,000 workers at its main Seattle production facilities this year, matching the lay-offs it was forced to make in 1981, our New York Staff reports.

Boeing said about half the cuts would be made through natural wastage or transfers. About 2,000-3,000 of the job cuts will be made in the first half of this year.

minutes later, after a manoeuvre which apparently involved pulling the Air Florida Boeing behind a New York Air DC9, the co-pilot asked: "Can you see your wing-tip over er?"

The pilot replied: "I got a little on mine." The co-pilot then said: "A little... This one's got about a quarter of an inch on it all the way."

A few minutes later, the co-pilot said: "Boy, this is a losing battle on trying to de-ice those things. It gives you a false sense of security, that's all it does."

The pilot replied: That satisfies the Feds." This may have been a reference to the Federal Aviation Administration regulation that aircraft must not take off with ice or snow on their wings or fuselage.

Five minutes later, as the take-off began, the pilots commented that the runway was slushy. As the aircraft began to lift off the ground, the co-pilot said: "That doesn't seem right, does it?... That's not right." A few seconds later, the pilot was saying "Forward... forward... Just barely climb."

Five seconds later, the co-pilot exclaimed: "Larry, we're going down, Larry!" The pilot replied: "I know it," and immediately, there was the sound of a crash.

An Air Florida official said yesterday that the pilot and co-pilot may have been referring to other aircraft when they were talking about ice accumulations. The co-pilot "could not see the wings of his own plane, just the tips," the official said.

The National Transportation Safety Board said yesterday that it would be highly irregular for aircraft to pull up behind another one to remove ice from its body and also confirmed that the Air Florida crew had been asked to expedite their take-off because an incoming plane was in its final descent.

However, much more evidence still has to be sifted and the final report is not likely to be drafted before April or May. An official decision on the crash will probably come only five or six months after the accident occurred.

Lavie deal likely for McDonnell

By David Lennon in Tel Aviv

THE McDONNELL Douglas aircraft corporation is the most likely candidate for partnership in the development and production of Israel's planned new Lavie fighter, according to officials.

They said that if agreement is reached, the U.S. company will produce about 30 per cent of the aircraft. McDonnell Douglas would be expected to make the wings and tail as well as providing some of the sophisticated technology.

In return, Israel will undertake to purchase McDonnell Douglas's F18 fighters to spearhead its Air Force. The Lavie will serve as a workhorse fighter bomber.

An Israeli Defence Ministry and aircraft industry delegation is currently in the U.S. for negotiations with McDonnell Douglas and General Dynamics, which is also still interested in co-production of the new Israeli aircraft. But McDonnell Douglas appears to have the best chance of winning the deal. Neither company would comment on the negotiations yesterday.

SAS settles row with Air France

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

THE PRICE-CUTTING battle between Scandinavian Airlines System (SAS) and Air France was settled yesterday during the visit to Stockholm of M. Claude Cheysson, the French Foreign Minister.

The prices for both SAS's Euroclass/economy and Air France's Classe Affaires flights between the three Scandinavian countries and France have been fixed at a level 10 per cent lower than the economy rate prevailing in November, when SAS introduced the Euroclass. Both airlines will introduce a new special economy class rate, a further 10 per cent cheaper.

At a joint Press conference, M Cheysson and Mr Ola Ullsten, the Swedish Foreign Minister, said their officials had found a compromise "taking into account the interests of both airlines." SAS maintains its principle that the enhanced Euroclass service conforms to the rules for economy rates, while Air France wins parity in price for its Classe Affaires.

Air France, however, has had to make the larger cuts in price. A one-way Classe Affaires ticket between Stockholm and Paris, for instance, will be 34



M Cheysson

per cent cheaper at the new price of Skr 1,995 (€188).

Mr Jan Carlzon, SAS's managing director, said he was satisfied with a settlement which left intact the principle that Euroclass was an economy class fare. The principle was the keystone in a programme to restore profitability in which SAS had so far invested Skr 120m.

Other West European airlines are now understood to be planning new services to take up competition with Euroclass in the spring.

Deceptive fall in U.S. jobless

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

UNEMPLOYMENT in the U.S. dropped unexpectedly to 8.5 per cent in January from a revised December figure of 8.8 per cent—the first fall since last July. The Labour Department warned, however, that the figure was unusually difficult to interpret and said that it did not necessarily mean that there had been any real improvement in employment.

The Department said that January's drop in unemployment from 9.6m to 9.3m seasonally adjusted was accompanied by a decline in the labour force of 300,000, and there was therefore no corresponding pick-up in employment.

The apparent decline in unemployment was due to the seasonal adjustment process, which is designed to compensate for the usual tendency of companies to lay off large numbers of workers in January.

Less workers than usual were laid off this January, possibly reflecting the fact that so many were already unemployed, the Department said.

Many economists both inside and outside government have predicted record postwar unemployment rates of 9 or over 10 per cent, as the recession reaches its trough in the first quarter of this year.

OPPOSITION REPEATS LEGAL APPEAL French takeover challenged again

BY DAVID WHITE IN PARIS

CENTRE-RIGHT opposition leaders announced yesterday that they would appeal a second time to the Constitutional Council against the French Government's nationalisation Act.

The Act, in a revised form, was passed by the Socialist-dominated National Assembly in its final reading yesterday. It included several changes—most importantly new compensation terms—from the original Act which was vetoed by the nine-man Council three weeks ago.

M Jean Le Garrec, the junior Minister in charge of the nationalisation programme, said the Government would exercise its right to ask the Council to produce its verdict in a week, rather than the standard one-month period.

A second rejection of the Act would risk provoking a political crisis as well as holding up still longer the implementation of Government plans for the expanded public sector.

The Council, whose members are appointed by the President and the leaders of the National Assembly and the Senate, has the final say on constitutional matters. All its current members were appointed before President Mitterrand's election in May.

In a bid to repeat their success in blocking the

nationalisation Bill, opposition members also referred a law on Corsica to the Council yesterday. The law, designed to forestall a resurgence of autonomist violence on the island, provides for a special regional statute and a new assembly to be elected later this year.

The nationalisation law covers five top industrial conglomerates, 39 banks and the wide-ranging Paribas and Suez shareholding empires.

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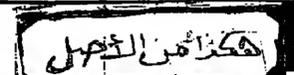
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UK NEWS

Spending to create jobs has perils, says Brittan

By Max Willmson, Economics Correspondent

MR LEON BRITTAN, Chief Secretary to the Treasury, yesterday emphasised the Government's determination to resist pressure for an increase in public spending to mop up unemployment.

Recent estimates suggested that the cost of unemployment to the Exchequer was £80 to £90 a head each week from benefits, lost taxes and lost national insurance contributions.

He added: "This has led some people to conclude that this is a sum of money, available to the Government, which could be spent on useful jobs at no cost to public funds: an appealing prospect, but alas, illusory."

It was absurd to expect that a sum of money equivalent to the total cost of unemployment could be spent without severe consequences for inflation.

Even if the Government paid a wage of £80 a week to provide work for an unemployed person, it would only save £30 a week from benefits no longer paid and £30 a week recovered in tax and national insurance contributions.

Although these were broad average figures, they indicated that jobs could only be created without the Government incurring additional costs if the net wage paid to people taken off the dole was less than £30 a week.

Vauxhall wins 11.8% market share

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE MARKETING shake-up of Vauxhall, General Motors subsidiary, is paying off. The company captured 11.8 per cent of the new car market in January.

It is the third month running that Vauxhall has won an 11 per cent share. Its penetration for the whole of 1981 was only slightly over 7 per cent.

But the company has increased substantially its imports from GM plants in Belgium and West Germany to cope with the increased demand, mainly for its new front-wheel-drive Cavalier.

About 2,372 of the 13,594 Vauxhalls registered last month came from Belgium and a further 3,553 from West Germany—or nearly 44 per cent of the total.

Vauxhall aims to maintain its market share above 11 per cent for the whole of 1982 and reach 15 per cent by 1985 with help from Opel, its sister company in West Germany. The two marques are now being sold through the same dealer network.

Vauxhall's advance seems to have been mainly at the expense of BL and Talbot. BL's market share in January fell to just over 14 per cent. The company

UK CAR REGISTRATIONS

Table with columns for Year, Total UK produced, Total imports, Total market, and percentages for 1982 and 1981. Includes sub-tables for General Motors, Peugeot group, and VW-Audi.

* Includes cars from companies' Continental associates which are not included in the total UK figures. † Includes imports from all sources including cars from Continental associates of UK companies.

Source: Society of Motor Manufacturers and Traders

who would otherwise have waited until the new year. BL expected a 3 per cent

market share for the new Triumph Acclaim, made under licence from Honda of Japan, but has so far not achieved this.

Thus fall in Talbot's sales is serious but the company expects better things now that the Horizon is being assembled at Coventry—this can be counted as "British"—and when the new small car, the Samba, is launched in March.

New car sales in January were hit by the bad weather and, at 114,296, 16 per cent lower than the same month last year. The importers' share increased from 52.9 to 59.77 per cent—near the record level but not quite as high as the 63 per cent recorded in August 1980 and 1981.

The figures are produced by the Society of Motor Manufacturers and Traders.

January's top ten best-sellers were: 1. Ford Escort (12,912 sold) 2. Ford Cortina (12,600) 3. Vauxhall Cavalier (6,647) 4. Ford Fiesta (6,550) 5. Austin Metro (5,914) 6. Vauxhall Astra (5,904) 7. Triumph Acclaim (2,552) 8. VW Golf (2,811) 9. Volvo 300 series (2,552) 10. Vauxhall Chevette (2,513).

Mortgage rate 'could fall by summer'

By William Cochrane

THE MORTGAGE rate could fall by two percentage points from its present record 15 per cent level by mid-summer, Mr Alan Cumming, chairman of the Building Societies Association, said yesterday.

Mr Cumming, as chief general manager of the Woolwich Building Society, was introducing a calendar year 1981 figures from the society which showed that its lending increased by some 22 per cent last year to £676m.

At the end of December the Woolwich's assets stood at £2,398m, a rise of 14.7 per cent. In 1981 its investment receipts amounted to £1,675m against £1,285m in the previous year; after allowing for withdrawals of £1,285m (£1.01bn), net receipts rose from £376m to £392m.

Pensions ceiling 'only a small saving'

A HINT that the Government does not intend to put a ceiling on cut-off point of the inflation proof pensions for civil servants was given in the Commons yesterday by Mr Barney Hayhoe, Minister of State at the Treasury with responsibilities for the Civil Service.

He was replying to an adjournment debate raised by Mr Robert McCrindle (C, Brentwood and Ongar) who accepted that the Government could not scrap indexing but argued that such pensions should not be left untouched.

RSPCA cuts jobs to beat cash crisis

THE RSPCA is to make 14 full-time inspectors redundant and shed a number of part-time jobs because of its financial plight.

Planning inquiry Bill given second reading

A PRIVATE Members Bill to ensure that all evidence to planning inquiries is heard in public was given an unopposed second reading in the Commons yesterday.

Tebbit tells employers 'training is up to you'

THE FRAMEWORK for skilled industrial training arrangements was a matter for employers and unions and the Government could only exercise influence, Mr Norman Tebbit, Employment Secretary, told Merseyside Chamber of Commerce yesterday.

Navy sells its last three fast patrol boats

THE ROYAL NAVY is selling its remaining three fast patrol boats, HMS Cutlass, Scimitar, and Sabre. Training to combat fast missile boats will now be done during exercises with Nato navies, the Navy said.

Barrister appointed Treasury adviser

MR DOUGLAS FRENCH, a 37-year-old barrister, has been appointed a special adviser in the Treasury in succession to Mr Peter Cropper, who has left to become Director of the Conservative Research Department.

Hopes of salvaging rail inquiry rest on Monday meeting

BY PHILIP BASSETT, LABOUR CORRESPONDENT

HOPES OF salvaging the independent inquiry into the British Rail pay and productivity dispute rest on a meeting on Monday, following continued refusal by the Associated Society of Locomotive Engineers and Firemen to take part.

Members of the inquiry, set up by the Advisory Conciliation and Arbitration Service and chaired by Lord McCarthy, will meet at the Acas offices to examine whether there is any scope for continuing the inquiry. If the panel decides to carry on, a first meeting could be held later that day.

Lord McCarthy said yesterday that it had not proved possible to discover a "mutually acceptable" basis for securing Aslef's co-operation with the inquiry.

Aslef had suggested changes to the inquiry's terms of reference, deleting specific mention of the crucial productivity issue of flexible rostering. The union is thought to be looking instead for a much wider approach to the whole productivity issue.

Talks on Dunlop Semtex occupation adjourned

BY ROBIN REEVES, WELSH CORRESPONDENT

LONDON talks to resolve the nine-week workers' occupation at Dunlop's Semtex floor coverings factory at Brynmawr, south Wales, were adjourned yesterday until Monday.

The union side led by Mr John Miller, the Transport and General Workers' Union national officer for the chemicals industry, pressed Dunlop to rescind its decision to close the factory.

Failing that, he wanted reinstatement of the 600 workers due to lose their jobs, in order not to prejudice unemployment pay entitlement and redundancy arrangements.

Dunlop said the talks had not affected the closure decision but it would be looking at ways of mitigating the union difficulties over severance arrangements.

Threat of Sullom Voe strike ends

By Mark Meredith, Scottish Correspondent

WORKERS at the BP-operated oil terminal at Sullom Voe yesterday called off their strike threat and agreed to return to wage negotiations.

Talks between BP and representatives of the Transport and General Workers' Union are expected to resume next week.

About 210 workers had rejected a 7.5 per cent wage offer by management and BP claimed that the strike decision violated agreed negotiating procedures.

Yesterday's agreement, announced by both sides, meant that the workforce has agreed to return to the disputes procedure. The terminal handles about half the oil production of the United Kingdom North Sea field.

On the Clyde, Mr James Davidson, chairman of Clyde Port Authority, said that the 150 dockers who went on strike at Greenock's container and bulk sugar terminals on Thursday over a 5 per cent pay offer may cause the terminal to close altogether if more trade is lost.

The man had been seeking about 15 per cent to meet the rise in the cost of living.

Dockers at Hunterston were also offered a 5 per cent rise and this was originally rejected. The Authority said yesterday that the men had now accepted this, but this was unconfirmed by union sources.

Mr Davidson said: "A 5 per cent increase has been offered to all Clyde Port Authority employees in this annual pay round and has been accepted by virtually every section of the workforce."

"This stoppage is taking place at the very time we are making every effort to replace lost traffic."

worsened because of Aslef's refusal to co-operate with the inquiry, were further strained yesterday when Mr Sid Weighell, NUR general secretary, was critical of both Aslef's strike tactics and of its case.

Aslef has been staging a series of selective strikes—stoppages are due tomorrow, Tuesday and Thursday—which Mr Weighell called "playing around."

He supported the BR board's insistence that the Acas understandings of last August on pay and productivity are linked.

He said: "Certainly we emerged with two separate agreements—but there can be no doubt that one is dependent on the other." Without the productivity understanding, he said, BR would not have signed the pay deal.

Mr Weighell criticised the breakdown in relations between Aslef and the NUR, noting in particular Aslef's failure to respond to NUR initiatives and the fact that the NUR learnt of Aslef's strike decisions only through the Press.

He repeated his call for one union in the railway industry and appealed for the dispute to be settled within the next few days, because if it went on much longer "there won't be anything left to argue about."

Mr Michael Foot, Labour Party leader, is expected on Monday to meet a deputation of Labour MPs, including Mr Tony Benn and Mr Leslie Huchfield, Aslef's parliamentary spokesman, who are seeking firm Labour Party support for Aslef's case.

Adan Lord, Dunlop's managing director, to senior management. He said: "Clearly the termination of employment is a firm line being taken in this strike and sit-in, even on terms which equate to statutory redundancy pay, will be contentious and we cannot exclude the possibility that there will be some repercussions in other parts of the business in the UK."

"On the other hand, we have similar problems to face in other parts of our non-tyre business and it is important that we should take a firm line with those employees who deliberately set out to be unco-operative and destructive even when they have by no means exhausted all the disputes procedure and are well aware that the future of the business is at risk."

The memo confirms workers' suspicions that the 60 redundancies called for initially were only a start. Mr Lord says that even if the industrial action had not taken place "it would have been necessary to call for substantial redundancies at the Brynmawr factory in order to achieve profitability."

It was a demand for a clear statement on the future of the factory which triggered the occupation in the first place.

ASTMS in plea to bid for Croda

By Brian Groom, Labour Staff

THE WHITE-COLLAR Association of Scientific, Technical and Managerial Staffs is telling Croda International shareholders that there appears to be "no justification for selling their shares to Burmah at this time."

ASTMS representatives at Croda emphasised after a meeting at the union's London headquarters yesterday that they wanted to be consulted on Burmah's takeover plans, "one with 'fine print' of the new Terms of Employment Regulations 1981."

They warned that in the event of a Burmah takeover, any subsequent integration or restructuring of Croda would trigger possible penalties if the union was not consulted comprehensively and given information.

ASTMS wants "urgent assurances" from Burmah and Croda on: job security and future investment plans; protection of terms and conditions of employment; Burmah's commitment to the UK speciality chemicals industry; what it describes as the Burmah chairman's criticism of Croda's "over-emphasis on the UK" and Croda's policies if there is no takeover.

ASTMS has written to Burmah demanding consultation on the new regulations proposed by the Government of its Oulton Hazell components business.

Burmah said yesterday that, as with the Croda bid, it did not believe the Quinton Hazell move came under the new regulations at present. Even if a sale took place, it might not affect the relationship between employees and employer.

Babcock to shed 550 jobs in Kent

By Lisa Wood

MORE THAN 550 jobs are to be lost within Babcock Construction Equipment in the Medway area of Kent, which already faces serious problems of unemployment.

The company, part of Babcock International, is also to make a further 50 redundancies at its two Gloucester plants which will be rationalised into one single manufacturing plant.

Mr George Ratray, managing director of Babcock Construction Equipment, said the group's Winget subsidiary at Rochester would close with the loss of 350 jobs. A further 200 jobs would be lost at the asphalt paving machinery plant at Blyth, Kent.

The work from Winget, the manufacture of equipment for concreting, will be transferred to the Gloucester plant.

Mr Ratray said: "The basic problem is the substantial reduction in demand for construction equipment around the world which has necessitated the reduction of the three plants to two." More than 1,000 jobs will remain within Babcock Construction Equipment.

The closure of Winget will contribute to existing concerns over unemployment in the Medway area with the decision to close Chatham dockyard, with the loss of nearly 7,000 jobs, and BP's Isle of Grain refinery, with the loss of a further 1,600.

Mr Jack Norris, district official of the Amalgamated Union of Engineering Workers, said: "This is absolutely disastrous. It is the worst possible thing to happen at the moment."

Housebuilding sinks to new low

BY MICHAEL CASSELL

BRITAIN'S housebuilding programme sank to a new low during 1981.

Provisional figures from the Department of the Environment show that the number of homes on which building work began last year fell below the level achieved in 1980, which was itself the worst for new housing in post-war years.

Yesterday's figures were described as "a national disaster" by Shelter, the housing pressure group, which said the combination of a "calamitous slump" in the public sector combined with the recession in the private housing market meant housing output was running at half the minimum number required.

According to the DoE, the industry began work on 153,200 homes during 1981, down from 154,000 in the previous 12 months. Starts in the public sector reached 36,200, a reduction of 19,800 on the 1980 level, although the number of private houses entering the construction stage rose by 19,000.

During 1981 builders completed a combined total of 198,000 homes compared with 233,500 in 1980. In the public sector, 85,200 homes were finished—a decrease of 21,700 from 1980—while private housing completions fell by 12,900 to 113,700.

There is little hope that 1982 will show any significant improvement in output, increasing fears that a major housing shortage may be on the way.

SDP seeks Employment Bill changes

BY MARGARET VAN HATTEN, POLITICAL STAFF

THE SOCIAL DEMOCRATS are seeking to broaden the scope of the Government's controversial Employment Bill in an attempt to overcome opposition to the Bill in their own ranks.

Dr David Owen, the party's parliamentary leader, said yesterday that the party would try, through the Bill's committee stage, to include provisions covering worker participation in industry, payment by union members of the political levy, and internal union elections.

It would do this by tabling instructions to the standing committee considering the Bill, informing members of their power to extend the scope of the Bill.

Dr Owen's action, which brought strong denunciations from Labour MPs, including Mr Denis Healey, the deputy leader, and Mr Roy Hattersley, is seen as an attempt to head off a revolt in the party.

Although the SDP decided on Thursday to support the Government on the Bill, several former Labour MPs with trade union links have indicated that they cannot support what they regard as blatant union-baiting.

Dr Owen said yesterday that many on all sides of the House of Commons believed the Bill should be widened as he had indicated "so that it would be dealing with the substantive issues that would ensure for a strong democratic and thriving trade union movement."

TUC to resist Manpower board cuts from inside

BY JOHN ELLIOTT AND JOHN LLOYD

TRADE UNION protests against the removal of Sir Richard O'Brien from the chairmanship of the Manpower Services Commission at the end of his contract in April continued to build up yesterday.

However, it became clear that the TUC, which has three nominees on the MSC board, will not make the appointment of Mr David Young, Sir Richard's successor, an issue over which they would resign from the board.

They are determined to stay in place and fight any attempts by Mr Young to cut down on the commission's services, and are concerned to keep the MSC in being ready for the key training and manpower role they see it as playing under a Labour Government.

Sir Richard, 62 next week, issued a short statement saying that he "would have been prepared to stay, but the Secretary of State [Mr Norman Tebbit] wanted a change."

Fears about the future of the MSC are complicated by a study of some of its activities by Sir Derek Rayner, the businessman studying government operations for the Prime Minister.

Mr David Young, a national officer of the Society of Civil and Public Servants, said yesterday that there was a risk that, following the study, work by the MSC Job Centres would be hived off to the private sector.

"Mr David Young's arrival looks like heralding the wholesale dismantling of the employment services," he said.

Mr Young, who flies to Japan this morning for a ten-day visit to high technology companies, said yesterday that he had no plans for privatising any part of the MSC. He would examine Job Centres as part of a general review of its work.

Mr Young will retain his part-time chairmanship of Manufacturers Hanover Property Services, a subsidiary of a New York bank.

Man in the News—Back Page

Government may investigate Laker collapse

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT is prepared to look into whether a Department of Trade investigation into the collapse of Laker Airways is justified under Section 165 of the Companies Act, Mr Iain Sproat, the Aviation Minister, told the Commons yesterday.

Under the section the Department can appoint inspectors to look into the affairs of a company and make a full report when it considers such a course justified.

Mr Sproat spoke as the sitting of the House was extended to allow him to make an emergency statement.

reason to ask for one. But under renewed pressure from the Opposition he modified his position and said: "I will certainly look again at Section 165."

He disclosed that Sir Freddie Laker had rung him on Thursday as the last-minute efforts to save the company reached their climax. Mr Sproat had told Sir Freddie that there was no question of the Government giving financial assistance to the company under Section 8 of the Industry Act.

The Minister told the House that British Caledonian had promised to help get stranded Laker passengers back to Britain free of charge. British Airways had also promised to help.

Mr Sproat angered the Opposition when he insisted that the Government still intended to go ahead with plans to privatise British Airways, despite the failure of Laker.

He maintained that there was ample money—£23m available in the bonding scheme and the Air Travel Reserve Fund—to indemnify holiday charter passengers already booked with Laker.

The Opposition was far from satisfied that there was any protection for those who had booked on ordinary scheduled flights with the company.

Labour MPs were clearly unhappy about the Government attitude to the 2,600 employees who will lose their jobs. Mr Sproat continually insisted that

this was a matter for the Receiver.

Left-wingers have always been critical of Sir Sproat and the Prime Minister's praise of him as the great example of Tory free enterprise. Yesterday they seized the opportunity to heap criticism on the Laker price-cutting operation.

Their accusations were firmly rejected by Mr Sproat, and met with angry cries of "Disgraceful" from Tory backbenchers.

The Minister and his backbenchers were lavish in their praise of Sir Freddie and the way in which he had led pre-cutting operations and forced the State airlines to follow his example.

Some of the strongest criticism

THE WEEK IN THE MARKETS

Slipping Uncle Sam's chains

The London stock market often seems chained obediently to Wall Street. At times, earlier this week, that may have been the case as gilt-edged securities and equities responded nervously to another big hike in U.S. money supply and jumping prime rates.

But, perhaps because the American market seems to be absorbing the Reagan administration's deficit-financing in reasonable comfort, or because the Bank of England is pursuing its own course in exchange rate policy, both sections of the London market were able to recover their poise. UK money market rates have been eased down a little once more and London hopes are still directed toward another cut in Base Rates.

The Public Sector Borrowing Requirement for the third quarter of 1981 was a mere £200m giving the Chancellor considerable leeway to pick a speeding target for 1982-83. And the Confederation of British Industry's trends survey underpinned the City's own feeling that corporate profits are set to recover this year.

The FT Industrial Ordinary Index has risen 10.9 points since the last account finished on January 22 and now stands at 573.1.

On the bid front, Croda International's attempts to feed off Burmah's cash offer so far have been successful. The first closing date for the offer passed

LONDON

ONLOOKER

during the week leaving the bidder with a fair way to go. Croda, though, has had to come up with some ambitious dividend promises for the current year.

The projected £72m bid by Rowntree Mackintosh for Humbley & Palmer Foods has gone quiet before the formal documents are despatched. But perhaps Allied-Lyons, another possible contender, will stand back from the fray. It has almost 5 per cent of Humbley and has been strongly tipped to counter bid. When Rowntree's terms were announced, the beer and ice cream group was quoted at 72p. Now the shares stand at 81 1/2 which may be saying that Allied will be sitting on its hands.

Fisons' farm-out

With one bound Fisons was free. That was the way it seemed this week as the drugs, agrochemicals and scientific equipment group announced the sale to Norsk Hydro of its loss-making fertilizer business.

Fisons' shares outperformed the stock market by several lengths during the week with a

32 per cent rise to 245p by the close on Thursday. Now, the argument goes, the group has sufficient resources to develop its other operations. At the same time the speculators have been buying in the hope of a bid once the fertilizer burden is lifted.

The deal looks good from all sides. Norsk Hydro, the big Norwegian energy and chemicals company, will be paying Fisons about £50m for the fertilizer interests and looks equipped to challenge Fisons' big UK competitor, ICI, in a way which the seller was manifestly unable to try. Norsk Hydro, like ICI, has plentiful supplies of cheap natural gas which it can convert into ammonia which, in turn, is the feedstock for straight and compound nitrogen fertilizer.

Norsk Hydro has a big stake in the Norwegian sector of the North Sea gas finds. ICI, with the huge benefit of a cheap energy deal with British Gas, can buy and produce feedstock for nitrogen fertilizer at a price which has ever left Fisons an acceptable margin.

Yet Fisons' long-held strategy was to use supposedly cash generating divisions such as fertilisers, and in a lesser extent its horticultural business, as feeders for the capital-intensive pharmaceutical and scientific equipment operations. The fulcrum of that strategy has long been wobbling under ICI's competitive pressures and Fisons' profits have dropped

while its balance sheet weakened. Fertilisers contributed 42 per cent to 1980 turnover but suffered a £1.12m loss.

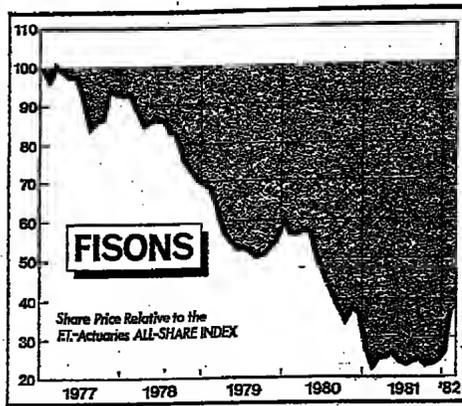
The group as a whole made only £3.8m before tax that year against almost £17m in 1979 and a peak of nearly £23m in the year before that. Fisons has, over the past couple of years, tried to cut its fertilizer losses by trimming back. Four plants have been closed and the group reckons it slashed some £9m off costs last year. It has admitted, though, that rationalisation would never be enough to get fertilizer on to a good, cash flow footing.

But at last, the long rumoured (and long denied) disposal should brighten the outlook. Fisons is estimating that the sale proceeds will cut some £6.5m from annual debt financing costs. That should have historic interest payment levels and, with loss elimination, 1980 profits can be re-stated at some £11m before tax.

Fisons is now predominantly a pharmaceutical company. More than three quarters of total profits came from this division in 1980 on just a fifth of group sales. There have been some setbacks not least the promising anti-asthmatic drug, Proxicromil, which fell at the last fiasco of its safety trials at the beginning of last year. The basic compound remains sodium cromoglycate which protects sensitive tissue against allergic reaction. The most profitable spin-off has been Intal, which is inhaled by asthma sufferers. Good volume growth, coupled with a 15 per cent UK price increase last summer and strong sales overseas means that pharmaceuticals should stay on a growth path.

Horticulture, 6 per cent of 1980 profits is sold to the strong amateur gardening market and is expected to make further progress. Scientific equipment, which goes into the research, education and public health fields, is suffering the effects of government spending cutbacks while the agrochemical operation, jointly owned with Boots since 1980, probably needs heavy capital expenditure to bring new products on stream.

Fisons is a minnow by comparison with many of its world competitors in drugs and agrochemicals but it has always pointed out that its products have captured pole position, or at least a place on the front row of the grid, in each market it serves. The betting in the City at the moment is that somewhere a predator is



running a slide-rule over Fisons' profitable, non-fertiliser ramp.

Reed unbowed

Third quarter figures from Reed International, the paper packaging and publishing giant, fell short of outside expectations this week—but not enough to shake the market's faith in Reed's ability to make a significant recovery this year. Brokers are bapily predicting around £80m pre-tax for 1981-82 (£50m in 1980-81) and back up to well over £100m next year.

The latest three months' profits are up from £15.1m to £17.7m. Analysts had been hoping for a couple of million more especially as, in Reed terms, it was a very tight quarter for exceptional costs. They only totalled £1m against £5m in the comparable period. Yet the period had to take in both Christmas and New Year disruptions so the underlying trend has not deteriorated to any real extent.

With the help of a cover price increase the Daily Mirror returned to a small profit after second quarter losses of £3m while Reed's expansion of its provincial paper interests should start working through to the profit line soon. This week Reed bought a northern publisher, St Regis Paper, for £7m, adding to the recent purchases of Berron's Organisation and Essex County Newspapers. Interest charges are running at £1m a month and Reed is attracted by cash-churning regional papers. The market, however, might be looking for moves on a grander scale from a group capitalised at £325m.

Paint splash

Things are stirring in the paint industry. After a long period when specialist paint

makers seemed to be in the doldrums, their shares have begun to move and bids are in the air—probably more of them in the past 12 months than the previous 20 years.

At the beginning of the week ICI made a £12.8m cash offer for Arthur Holden, which makes inks, paints and adhesives for the canning industry. With full backing from the Holden board and family acceptances adding up to 35 per cent, ICI was Holden's refuge from less congenial suitors.

Only a month ago International Paint (a subsidiary of Courtaulds) had picked up 12 per cent of Holden "without the knowledge or consent" of the Holden directors. Before that Holden's name had traditionally been associated with that of Metal Box, a major customer which still holds 9.3 per cent of the equity.

Although ICI's offer of 180p a share represents a handsome 51 per cent premium to reported net assets and something like 20 times fully-taxed earnings for the past year, it may not quite be a knock-out. By Friday afternoon the shares were 190p, so the market is obviously looking for a counter-attack from Courtaulds or elsewhere.

Holden is not the only paint specialist whose shares have soared this week. Blundell Permoglaze slightly exceeded market expectation when its annual profits were announced on Thursday as £2.05m before tax. On Thursday morning Blundell was valued at £5.9m; by the close on Friday the shares had risen 25p to their highest ever price of 118p, and the company was worth £7.5m.

The market seems to have got it into its head that Blundell is a likely bid prospect.

Slippery ground

NEW YORK

DAVID LASCELLES

THE NUMBER of people who really know what is going on with the U.S. money supply is probably precisely zero. But everyone knows what whatever it is, it is BAD, and Wall Street spent another jittery week worrying about what it all means for interest rates and share prices.

Their fears were justified. On Monday, the Dow Jones Industrial Average crashed nearly 20 points, its worst one-day fall since last August, and the big banks jacked their prime rates up a stiff 1/2 per cent to 16 1/2 per cent, the first upward move in seven months. After this inauspicious beginning, the stock market recovered some of its balance, but the ground was still slippery, and share prices slithered to and fro.

The market's worries were focused squarely on the Federal Reserve which has been tightening credit to try to bring the runaway growth of the money supply under control. But the Fed has, apparently, kept to do nothing that would shock either the credit or stock markets into another sharp fall. Whether it will continue to act so restrained depends on whether the money supply surge which has caused all the trouble subsides in the weeks ahead.

So, what with interest rates rising, the economy still lurching along the bottom of a recession, and this week's record \$100a Treasury bond-raising exercise reminding everybody that Washington is still having a spot of bother balancing its books, there was little or nothing to cheer the market.

Stocks also lacked conspicuous leadership. Oil shares led the way down as reports of oil price cuts came pouring in. This confounded predictions that the severe winters experienced in both the U.S. and Europe would spark a sharp rise in demand for heating oil, and underpin prices. The exact opposite has happened in the U.S., where homeowners have learnt a lot about insulation and energy conservation in the past two or three years. Exxon hit a 52 weeks low of 29 1/2, having traded as high as 38 1/2. The story was similar at all the other oil majors like Mobil, Standard Oil

of California, Standard Indians and Sohio.

By the same token oil service stocks retreated. Schlumberger, long one of the glamour stocks in this group, took a knock on Monday when Morgan Stanley removed it from its short-term buy list because of losses at its Fairchild camera subsidiary. Schlumberger was trading around 50 at the end of the week, down from its 52-week high of 74.

Kodak must have been disappointed by the stock market's reception of the new disc camera it unveiled on Wednesday. Billed as the greatest advance in amateur photographic equipment in 10 years and the first truly "decision free" camera, it marks Kodak's bid to remain at the top of the popular photography market against the growing marketing and technological challenge of the Japanese. But Kodak's stock fell 1/2 on the day before the announcement (which had been billed in advance) and another 1 1/2 on the great day itself, to 7 1/2.

Although analysts were fairly positive about the camera, doubts centred partly on the price (which starts at \$67.95, rather hefty for the pop market) and partly on the new product's ability to generate earnings above and beyond those already built into Kodak's share price, which has done quite well for itself in the last six months, rising from around 60.

On the takeover front, a rich crop of rumours made up for lack of hard news. Colgate, Pillsbury and Zenith, the U.S.'s leading domestic TV manufacturer, were among rumoured candidates. The only piece of hard news was a non-takeover. Mobil said it had dropped plans to buy more stock in U.S. Steel. The oil giant had threatened to take over the country's largest steel company to get its hands on Marathon Oil, which U.S. Steel won after a bitter battle with Mobil last year. Mobil's plan had had a wretched look to it, and few people took it seriously.

General Motors continued what everybody knew already—that 1981 was not the most brilliant year for the auto industry. It reported an operating loss of \$138m, which was an improvement on its \$137m loss in 1980.

number two automaker, will report a loss of over \$1bn.

MONDAY	\$51.69	-19.41
TUESDAY	\$57.55	+ 0.86
WEDNESDAY	\$45.63	- 7.52
THURSDAY	\$47.03	+ 2.00

MARKET HIGHLIGHTS OF THE WEEK

F.T. Ind. Ord. Index	Price 5/8p	Change on week -1.7	1981-82 High 597.3	1981-82 Low 446.6	Volatile on Wall St. Trends
Amstrad	230	+30	250	118	Interim results next Tuesday
BAT Inds.	431	+31	431	230	Persistent buying
Blundell-Permoglaze	118	+27	119	79	Better-than-expected results
British Aerospace	195	-12	251	170	Dull Aerospace issues
BP	292	-10	415	246	Crude oil glut
Cowan de Groot	37	+ 5	65	25	Interim statement
Croda Intd.	82	+10	84	32	Hopes of higher bid
Fisons	245	+63	250	112	Fertilizer Ints. sold/bid spec.
Holden (Arthur)	192	+34	192	86	ICI bid 180p cash
Leadhall Sterling	120	+55	125	85	Hays Group bid 125p cash
Martin (R. P.)	370	+40	375	112	Demand for money brokers
Mills and Allen	543	+53	545	308	Acquisition of Guy Butler
Nimble	189	+40	205	140	Marketing agreement with Timex
Norfolk Capital	35	+ 8	49	21	Speculative interest
Normand Elec.	55	+15	55	21	Bid from P. C. Henderson
Securicor A N/V	222	+32	222	152	Results next Wednesday
Smith St. Aubyn	48	+14	204	34	Recovery hopes
Textured Jersey	81	-14	125	64	Fisons' profits warning
Wit. Nigel	44	-19 1/2	110	44	Mining operations curtailed.

Outrageous fortune strikes again

SHAKESPEARE, had he been alive, would surely have agreed fortune was pretty outrageous last year for the world's metal-producing companies. Fortune's slings and arrows have certainly been much in evidence this week, perhaps most of all for Canada's Inco, the biggest producer of nickel in the world.

This company had been widely expected to report a huge loss for 1981, and the eventual figure of U.S.\$462.5m (281m) ensured that these expectations were not disappointed.

Inco had been in the black over the first nine months of the year, but a fourth quarter operating loss of \$45m, plus provisions totalling no less than \$465m, gave the company a net deficit for the last three months of \$510m. This must surely rank among the biggest losses ever recorded for one quarter in corporate history.

Inco's provisions include \$345m against the sale of its loss-making batteries subsidiary Electro Energy Corporation, and a further \$220m written off its mothballed Exmal nickel mining and processing operation in Guatemala.

The batteries subsidiary was an extreme diversification which proved to be a disaster, while the Guatemala nickel business relied on laterite (oxide) ores, which require considerably more energy to process than Inco's sulphide ores in Canada.

Apart from Guatemala, which reduced its capacity by around 25m lb of nickel a year, the company has also cut back in Indonesia and at home in Sudbury, Ontario. Indonesia also relies on the high-cost laterite ores and had been producing at an annual rate of about 45m lb of nickel against capacity of 75m to 80m lb, using two of the three production lines.

Although the operation had been running at break-even, it was subject to heavy interest charges and Inco decided to cut out one of the two remaining production lines.

In Sudbury, Inco plans to reduce its output to 195m lb this year, against 220m lb in 1981. The company said recently that other steps were under consideration and would be taken if necessary.

All this reflects Inco's determination to survive the current downturn and there can be no doubt that the truly dreadful 1981 results showed a company hitting the hilt. By taking all the provisions into last year's figures, Inco must surely have got the worst news out of the way and is now a leaner and fitter company poised to take advantage of the next upswing. It is worth remembering that

Inco, at its base in Canada, is probably the lowest-cost nickel producer in the world, as well as the biggest. Good times are sure to come again.

MINING

GEORGE MILLING-STANLEY

The slings and arrows did not leave Ammax of the U.S. unscathed, either. The company reported attributable profits of \$207.7m for 1981, less than half the \$447.7m for the previous year.

Profits for the fourth quarter fell even more steeply to \$8.5m from \$83.8m for the comparable three months of 1980.

Nevertheless, there was more of swings and roundabouts than of slings and arrows in Ammax's performance. Under the leadership of Mr Ian MacGregor, who is now trying to salvage something from the wreckage of the British steel industry, and more recently of Mr Pierre Gousseland, Ammax has become a company with widely diversified interests, albeit mostly still within the natural resources field.

This meant that the much reduced contributions from the base and precious metals and specialty metals divisions were offset to some extent by a strong performance from energy earnings, helped by the iron ore and aluminium businesses.

Overall, Ammax's operating earnings fell by 39 per cent to \$453m. The contributions from molybdenum, formerly the jewel in the company's crown, nickel, tungsten and the other specialty metals declined by almost \$200m, largely because of lower moly shipments and prices and increased operating costs.

The base and precious metals division lost \$9m, compared with a 1980 profit of \$122m, mainly as a result of higher costs and lower prices for copper, silver, lead and by-product moly.

By contrast, energy earnings were \$17m higher, in spite of the 72-day strike by the coal miners. In addition, iron-ore earnings increased by \$17m, while Ammax's share of income from the 50 per cent-owned aluminium producer Almax rose by \$18m to \$101m.

In other words, Ammax recouped on the roundabouts some of what it had lost on the swings, to the extent that Mr Gousseland felt able to describe the company's performance as creditable.

"The earnings are a considerable achievement in light of the poor economic conditions

that continue into 1982," he said, and it is hard to fault his analysis. After all, Ammax has just notched up its third best year ever in profit terms in the face of a severe recession.

Mr Gousseland went on to say that he expects economic activity to recover this year, and pointed out that consumers' current low stock levels should help the metals industry to rebound quickly when the next cyclical upturn arrives.

Another company keeping an anxious eye on metal prices is Gold Fields of South Africa (GFSA). Mr Robin Plumbridge, the chairman, said this week that he hopes to maintain the dividend total at last year's 500 cents (279p) a share, provided

there is no further fall in the gold price.

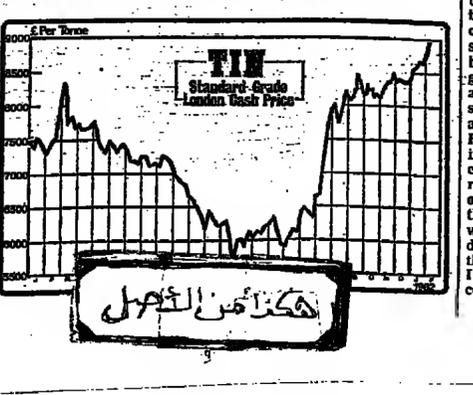
GFSA, in which London's Consolidated Gold Fields holds a 48 per cent interest, said after this week's announcement of lower first half profits that it expects second-half earnings to be similar to those of the second half of last year.

Coincidentally, in this it will be helped by the change of financial year of Driefontein Consolidated, a major investment, to coincide with GFSA's own June year-end. This shifts the important fiscal dividend from the big gold mine into the second half of GFSA's year, which should ensure a reasonable level of income in the current six months.

TIN OUTPUTS COMPARED

	Dec 1981	Nov 1981	Total 1981 tonnes	Total to date (months)	Same period previous year tonnes
Amal. of Nigeria (tin)	1	169	1,139	(8)	973
Amal. of Nigeria (columbite)	1	8	73	(8)	144
Aokam	123	77	693	(6)	593
Ayer Hitam	235	250	920	(8)	976
Benjuntan	338	312	2,451	(8)	2,547
CRB Sri Timah	60	67	720	(12)	820
Georgetown	106	107	945	(9)	853
Gold and Base (tin)	4	17	192	(11)	244
Gopeng	1574	1413	438	(3)	3873
Kamunting	15	14	127	(9)	24
Kinta Kellas	411	40	341	(9)	2833
Kuala Kampar	8	12	100	(9)	194
Malayan	747	694	4,196	(6)	2,894
Pahang	162	92	460	(5)	559
Pengkalen	71	6	181	(3)	23
Petaling	1082	801	1891	(2)	1691
Rahman	1052	1132	666	(6)	610
St Piran—Far East	17	21	142	(9)	119
St Piran—UK (South Crofty)	172	170	1,391	(9)	1,494
St Piran—Thailand	46	41	553	(9)	553
Sungei Besi	30	63	663	(9)	1,052
Tanjong	12	20	188	(12)	268
Tengkah Harbour	61	8	198	(8)	212
Tromoh	48	45	627	(12)	1,374

Figures include low-grade material. Not yet available. Outputs are shown in metric tonnes of tin concentrates.



Tenant's non use of furniture

FINANCE AND THE FAMILY

BY OUR LEGAL STAFF

A lady friend of mine has a small property which she has let furnished but the tenant has without authority, put all the furniture in one of the downstairs rooms and I believe locked it up.

What can my friend do about this tenant and also the goods since he has really converted the property into his own furniture with his own furniture?

A tenant under a furnished tenancy is not obliged to use the furniture. The course which has been taken involves a breach of the law if there is no express covenant in the tenancy agreement which requires the furniture to be kept in use or in the rooms in which it was when the letting was effected.

Possession of a house

My wife and I will be going overseas for six weeks. To avoid burglars and burst pipes, I am thinking of accepting an offer from an advertiser to occupy the house, the advertiser paying heating, electricity, telephone, and a nominal figure of £20 per week for wear and tear. Is there any risk that this person could obtain possession of the house, and if so, is there any simple way of avoiding this?

There is a risk that the £20 payments would be held to constitute rent and so bring the letting into the Rent Act area that is less than two-thirds of the March 1985 rateable value. However, if you give notice at the time of the letting that on your return you will require the house for your own occupation, that will ensure that you can regain possession.

Computations and retroaction

I will be grateful for your opinion on the course of action proposed by the Inspector of Taxes in the paragraph of his letter quoted below.

In examining your computations, I have discovered that the incorrect basis has been used in your computations of the gains on the Hong Kong shares in previous years. You have normally calculated the gain in Hong Kong currency and then converted it into sterling at the rate prevailing at the date of disposal but the Revenue's view is that this is incorrect; the gains should be calculated in sterling having regard to the rates of exchange on the date of acquisition and the date of disposal. This view was supported by the recent decision in the High Court in the case of Bentley and Pike. I accept that future computations must be

calculated on the Bentley v Pike decision unless it is subsequently upset, but I question the right of the Revenue to apply the decision retroactively. Can you quote legal authority for challenging the Revenue's stance?

If the past years' CGT assessments were simply made on the basis of your computations (so that no appeals needed to be lodged), there is probably nothing to stop your inspector making future assessments for 1975-76 onwards, under section 29(3) of the Taxes Management Act 1970.

On the other hand, if appeals were lodged against any of the past CGT assessments, then the inspector may be unable to reopen questions which were taken into account in setting each appeal (by agreement or before the Commissioners). This point was confirmed in Centlow v Finance Company Limited v Edwood (Inspector of Taxes) in 1982 (40TC178). The law is not grandstanding between inspector and taxpayer, unfortunately, in this area.

Reclaim of son's tax

From 1968 while my son was at school and university I held unit trust shares for him in my name. The holdings were transferred into his name in August 1978. He obtained his degree in 1979 and later in the year went to Australia where he is now resident. He has never at any time had any taxable income in the UK.

Is he entitled to reclaim the tax credits on these holdings and, if so, for how many years back? Provided that the units were not a gift from you or your wife (or bought with funds provided directly or indirectly by you or your wife), your son can submit claims for tax credit for 1975-76 onwards. If, on the other hand, the units were derived from you or your wife, the distribution made before his 18th birthday (or his marriage, if he is married while still a minor) were, of course, taxed as part of your own income; consequently, your son can only claim in respect of distributions made after he reached the age of 18 (or married, if earlier), assuming that that was after April 5, 1975. For the years up to 1979-80 (assuming that by "later in the

year" you mean some time in 1979-80), he should be able to secure payment of the full tax credit for 1980-81 onwards, at least half the tax credit should be payable to him, by virtue of article 8 of the Australia-UK double taxation agreement of December 7, 1967, as rewritten by the protocol of January 29, 1980.

Your son should write to the Inland Revenue Foreign Dividends Office (Double Taxation Section),

YOUR SAVINGS AND INVESTMENTS-1

Terry Garrett weighs up the prospects for gold funds

Will the gold bulls bite the bears?

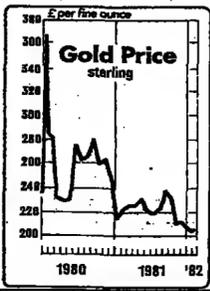
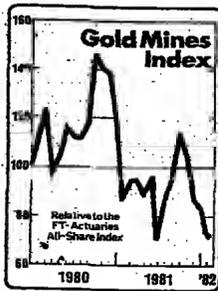
IT MAY seem eccentric to launch an offshore gold fund when the "super bears" are predicting that the price of gold will not stop falling till it's well below \$300 an ounce. But Save & Prosper has gone ahead anyway, arguing that the timing will look right with the benefit of hindsight.

As the bells rang in 1982, the London gold price stood at \$400—a third lower than 12 months before. Now it is down to \$383.00 and there is little reason to suppose the slide is over. The fundamentals remain more or less the same: U.S. interest rates are high, inflation is heading downwards and the Russian bear is still wolfing.

Even S & P agrees that gold hasn't reached the bottom yet. But the question is how much further the price will fall.

Julian Tregoning, marketing director of S & P, is taking the view that the downside risk is limited to about 15 per cent and if it goes to \$325 "it could bounce quite rapidly."

S & P only launched the fund a couple of weeks ago and



the cheques have not started to roll in. Even so the investment stance has already shifted since mid-January. Then it looked as if the managers were heading towards mining shares—the investment brief is pretty wide, taking in bullion, shares, coins, futures and options. Now they are thinking more in terms of shiny gold bars.

Gold mining shares have

picked up recently. When S & P pushed out its new fund on the morning of January 15 the FT Gold Mines Index stood at 265.5. It has been over 290 since then although it has drifted back over the past week. Philip Taylor, mining analyst at brokers Rowe and Pitman, calculates the average yield of South African mining stocks at 13 per cent. That, he says, is

ahead of the game.

The thought that metal might now be better than paper certificates also seems to be emerging at rival fund managers, the Britannia Group. It launched an offshore gold fund just under a year ago. About 80 per cent of its \$3m assets is now invested in mining shares. Profits from the South African companies have held up well in real terms, despite the falling gold price, because of foreign exchange movements.

Nevertheless the point at which bullion looks more attractive is getting near and the fund's balance is under review. The next move, according to Stuart Goldsmith, Britannia's investment director, will be into metal. But he hasn't decided when.

Are the "super bears" right or in 12 months time will we be patting S and P on the back for getting so close to the bottom? Time alone will tell. But any investment in gold funds demands a certain philosophical approach to life—and a willingness to ride with a highly volatile investment.

Small is beautiful

Rosemary Burr examines the fortunes of a small, successful, recently established unit trust.

On the income fund, the group goes for shares yielding around 6-7 per cent, shying away from some of the riskier stocks yielding 10 or 11 per cent. The aim is growth in prospective yield and dividend. Among the main holdings are Rank Organisation, Standard Chartered, Mitchell Coles, BAT and Alexander Kuvden.

As for the growth fund, some of the same names crop up again, such as BAT, Rank and Howden. Other sizable holdings

include BSR, Sony Japan, Glaxo and Bower.

Perpetual Group Income was the leading income fund in the year to February 1 1982, according to statistics compiled by Money Management. One thousand pounds invested one year ago would now be worth £1,381. The fund was launched in June 1979.

Perpetual Group Growth has been the top performing international fund over a five year period and number two over

one year according to Money Management. Its units have more than trebled in value over the five year period.

Having catered for investor's basic needs the group decided to launch its third fund last month. The aim was to provide something a bit more exciting and it goes without saying, more risky. The upshot is the Worldwide Recovery Fund, which Rasch admits "is going to be a bumpy ride."

The launch of a general international fund goes against the current fashion in the industry which has seen a proliferation of highly specialised funds. Perpetual decided to avoid this route as Arbib says "the unit holder has to keep looking to see if he is in the right specialised fund. This way we do it for him."

The Worldwide Recovery Fund was launched two weeks ago. The minimum investment is £1,000 and the units are offered at 50p until February 12. The idea initially is to have about 55 per cent of the fund in the UK, 20 per cent in the Far East, 15 per cent in the U.S. and 5 per cent in Canada and South Africa.

So for none of the £1m attracted into the fund has been invested overseas. Arbib says he is waiting for the right time. "There are very many interesting commodity shares in Australia which have fallen by three-quarters but we are biding our time."

The worldwide recovery fund is unlikely to perform as well as some of the other specialised funds which just happen to have all their eggs in the right basket. But it may be a good bet for those who are prepared to risk a little and would like to see their money spread around the world.



Barclays can be your best man

IF YOU WOULD like to earn interest at 2 per cent over deposit rate while you save for a mortgage, then Barclays wants to hear from you. This week the bank launched a £1m publicity campaign aimed at young couples with the altar in mind.

The new scheme called Getting Married is basically a re-vamping of the bank's guaranteed mortgage scheme with some special frills for the newly weds. Less clear from the publicity is the fact the updated guaranteed mortgage scheme is open to all.

Under the new guaranteed mortgage scheme, anyone saving a minimum of £1,000 in one year will qualify for a mortgage of ten times the sum saved. Interest at 2 per cent above deposit rate will be paid on the savings.

The minimum monthly saving is £10 and the guarantee of a mortgage holds good for three years. Up to 95 per cent of the value of the house will be lent. The maximum size of the mortgage is £30,000.

Barclays used to offer guaranteed mortgages to people who saved £100 a month or more for two years. The guaranteed mortgage was between £10,000 and £25,000. The maximum size of the mortgage was 90 per cent of the purchase price or valuation.

Barclays hopes to attract 60,000 new accounts through its Getting Married scheme. There are about 380,000 marriages a year. The bank now has 6m current account holders. Getting customers to switch banks is pretty difficult, and most banks have concentrated their energy on wooing the young by giving special terms to students.

To qualify for the scheme both partners have to agree to switch their current account to Barclays, where they will get free banking for a year. The couple then join the guaranteed mortgage scheme. The current return on the savings account is 14 per cent. The interest is, of course, subject to tax.

The newly weds also get several frills. During 1982 they will be able to borrow money at 2 per cent below the standard

savings rate for personal loans. At the moment this would mean a loan at 18.7 per cent, which is roughly in line with the cost of an overdraft.

Once the couple has found the home of their choice, Barclays will pay for any one mortgage valuation up to a maximum of £100. This concession applies only to those people who join the savings scheme in 1982.

The bank has added further sparkle to the scheme by offering a 15 per cent discount on BUPA subscriptions, commission free foreign currency, free advice on insurance and wills.

To cap it all, the bank provides a bottle of champagne for the newly weds to celebrate the first day in their new home.

So far the response of the other clearing banks has been cautious. Both Midland and the Co-op Bank have guaranteed mortgage schemes which offer savers loans after two years, but the mortgage is smaller relative to the amount saved than with Barclays. The interest paid is less attractive, too.

Lloyds Bank Special Savings

Scheme may be an attractive alternative. This pays 2 per cent above deposit rate and gives savers priority in the mortgage queue. A minimum of £10 has to be saved regularly for one year. Customers can borrow an amount equal to the total saved at 1 per cent below the personal loan rate. This is a good general savings scheme for people wanting to get more interest than on a deposit account and who are prepared to make regular savings.

At the moment there is no shortage of mortgage money but the guaranteed mortgage schemes are useful for those who want the discipline of regular savings.

Barclays Getting Married package is obviously designed to attract first-time buyers, and as such marks an attack on the traditional preserve of the building societies. There is a strong likelihood the other clearers will follow suit. If they see a large number of customers switching accounts.

R.B.

Bridging the gap

ABBEY NATIONAL appears to have stolen a march on its building society rivals by offering bridging loans to existing customers. A bridging loan is useful if there is a gap between the date on which you have to pay for your new house and the time you receive the money from the sale of your existing property.

Until now most building societies have tended to shy away from this type of business, although each society would look at individual requests for a bridging loan on a one-off basis. Abbey National says it will offer bridging loans at the same rate as a normal mortgage.

The main provision is that the contract for the sale of your existing home must have been exchanged, with a completion date within three months.

So far no other society appears keen to follow Abbey's footsteps but the Leeds Permanent says it is considering the subject. Most societies are reviewing their strategy for keeping their share of the mortgage market. New savings schemes and tie-ups with insurance companies are likely soon.

Some building societies are also likely formally to relax their lending parameters. In the past, they have tended to lend people 1.75 to 2.5 times their salary, but this multiple has been gradually creeping up. Similarly, loans have been rising as a percentage of the total value of the property, and this too may be used as a marketing peg.

R.B.

Lure of unwanted credit

HOW WOULD you feel if your 16 year old daughter was sent a credit card out of the blue? This is just the situation faced by one of my colleagues last week.

The card was sent by Dingles, part of House of Fraser stores group. A few phone calls established its despatch was "due to administrative error" and letter of apology was said to be winging its way to my colleague.

So why was the card sent in the first place? Well, Dingles is taking over the administration of D. H. Evans credit ledger. All account customers with D. H. Evans should by now have been sent a new card which can be used at Dingles, D. H. Evans, Howells and David Evans.

R.B.

The trouble has arisen over who qualifies as an account holder. The 16-year old was included because a sundry account was opened by the store on her behalf when her school uniform was ordered.

The same thing may have happened to anyone who has recently ordered an item to advance, as a temporary account is then opened in their name. Dingles says its has transferred about 15,000 accounts.

Under the Consumer Credit Act 1974 it is an offence to give someone a credit card if they have not asked for it. The legislation was put on the statute book after a public rumpus over unsolicited credit cards.

R.B.

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SAVINGS=2

PROPERTY

Totting up the return at Lloyd's

HOW WELL are your underwriting syndicates doing? A group of Lloyd's underwriting members want to know and think that other members of Lloyd's ought to know. Through an association, called the Association of Members of Lloyd's, not to be confused with an association of members headed by Lady Janet Middleton, they have commissioned an independent company, Chaset, to compile a set of league tables.

It is a move which has left the Lloyd's establishment purple with rage. Those arguing against a league table on relative performance of Lloyd's syndicates say that joining Lloyd's is in no way similar to joining a unit trust. They stress that none of the underwriting agents, the group look after Lloyd's members' affairs, has access to all the syndicates listed and it is pointless to try to place members of Lloyd's on the syndicates which figure in the top ten performers.

One underwriting agent admitted last year that most agents' objections did appear "on the surface to be a childish attempt to hide bad performance" and to keep Lloyd's members "in a state of ignorance." Moreover, underwriting agents are concerned that if underwriting members start showing a collective interest in their own underwriting fortunes it might undermine their role as agents.

Setting aside the objections to the league tables, the latest figures published for the 1978 underwriting account reveal interesting trends.

Although the survey is by no means a complete review of the market it is said to represent around 80 per cent of the total premiums written at Lloyd's.

Inevitably, those that demonstrated a robust approach to underwriting in Lloyd's scored a larger cheque payout for members on the syndicates than others. Mr Ian "Goldfinger" Postgate topped the charts for the large marine syndicates. On a standard premium line written of £10,000, Mr Postgate was in fact accepting £11,445 in the 1978 underwriting year. Members on his syndicate would have received a cheque for £2,005.

Mr Postgate's rate of return on premium was lower than some who perhaps chose not to write so much premium at the expense of producing a lower cheque payout. One syndicate chose only to write £3,205 of premium on a standard £10,000 line yet managed to pay out £1,097 to its members.

The variations in performance are wide within Lloyd's as might be expected from a market place containing hundreds of small businesses, and many very large groups.

Pledging one's wealth at Lloyd's in return for a share of the profits to allow the market to function may be an expensive business, but it is by no means the same as buying a block of shares in a unit trust. The key to success at Lloyd's is choosing the best connected underwriting agent, and those intending to join Lloyd's need to shop around.

John Moore

Going East for bargains

BY JUNE FIELD

IT CAN BE COLD, and communications could be better, but with its evocative landscapes so beloved of Constable and Gainsborough, the arable-orientated county of East Anglia fully lives up to its description in a recent property report as "the land of Eastern promise."

Mr Hugh Coghill of Savills' Norwich office, in their latest *East Anglian Property Outlook*, was commenting on the sale of approximately 14,000 acres in the area last year, at prices averaging from £1,650 to £2,000 an acre for an equipped Grade II/III farm. He observed: "There is an increased amount of capital being invested in land due to its continuing role as a safe haven for part of an investment portfolio."

And as he further pointed out, despite the rise in values, land is still selling about 10 per cent below the 1979 peak prices. "Inflation makes the gap much more pronounced in real terms, but the previous boom sets a level in monetary terms which purchasers have confidence in approaching."

A recent informative study on the townscape and villages of the district, *East Anglia's Built Environment As An Educational Resource*, from the Eastern Region Royal Institute of British Architects, edited by Mr Brian Goodey, emphasises the variety of the region. "East Anglia is also an area of market towns, of suburbia, old cities and new towns, and empty spaces. In Essex, Hertfordshire and Bedfordshire, and pressing into Cambridgeshire and Suffolk, commuting to London brings upon housing estates and upgraded cottages the title of mere bedrooms!"

On those cottages there is also a pertinent comment that however much they "may have been restored, conserved, 'tarted up' and inwardly modernised," they offer a seductive reminder of the past.

"People tend to settle in Essex from necessity rather than choice," is the candid opinion of Mr John Gibson of Savills' Chelmsford office. "The ease of commuting to the City being the major attraction. Essex is considered remote because travellers do not pass through it, other than to go to the increasingly important East Coast ports, and the county is separated from affluent London by the East End. Few foreign buyers, other than Dutchmen, consider Essex as they do say

Berkshire, Surrey or Hampshire. I suggest the driving times from Mayfair and Kensington affect their decision. One trip down Seven Sisters Road is enough!"

But as Mr Gibson also observes, construction of the M25, which will eventually encircle London, plus the eastern by-pass around Colchester—shortly due for completion—which will take Harwich traffic around the town and connect with the A12—will all help to make Essex a more attractive place to live. And as for Stanstead Airport, while in the short term the effect on prices is adverse, in the long term property prices must increase as a result of the influx of population.

Mr Dai Jones, director of Baitstow Eves, with 22 offices throughout east and north London, Essex and Suffolk, comments: "For those in a position to buy there are terrific bargains to be had."

And Mr R. G. Chapman, senior partner of The James Abbott Partnership with offices in Essex and Suffolk, considers that with all the special inducements to buy, this must be the year of the first time buyer.

"Once the tempo at the lower end of the market accelerates, there will be a 'knock-on' effect in the middle market, the area of least activity in recent years." In Bishop's Stortford, G. E. Sworder and Sons' *Bicentenary Year Property Market Report* commands one to "BUY NOW," to avoid being left behind, as house prices have started to slip back in their area, which also takes in Saffron Walden, Ongar, and Thaxted in Essex, and Sudbury and Bury St. Edmunds in Suffolk.

East Anglia is the place to look for the novel country retreat, Abbots having The Granary on the Quay at Wivenhoe, Colchester, £75,000 including a mud bath, a coach house in Distillery Lane, Colchester, just being renovated, £59,500, and The Old Mill House in the Essex village of St Oysth, £70,000, as well as Essex County cricketer Mr Ray East's Walnut Tree Cottage, £89,500. For further details contact Mr Chapman, Abbott, 57-59, Crouch Street, Colchester, Essex (0206 49211).

For small weekend cottages in Norfolk, David Bedford is one of the specialist agents to reach at The Hollies, 62, London Street, Swaffham. While Strutt

and Parker's latest property brochure *Country Houses and Cottages in Norfolk and Suffolk*, includes various attractive black and white timbered village houses from £45,000, thatched cottages from £30,000, and a brick and flint barn near Holt on the Norfolk coast, £19,500.

If you want a grand house in a rural area, then the excellent *Burke's and Savills Guide to Country Houses, Volume III: East Anglia*, edited by Hugh Montgomery Massingberd, is a particularly rewarding study of some 1,000 family seats, some of



Right: Typical pink-washed Suffolk thatched house, Church Fields, Little Saxham, near Bury St. Edmunds, was originally two 17th century cottages. It now has 4 bedrooms, 2 bathrooms, and an extra wing. Mr W. B. Ringrose, Jackson-Stops & Staff, 168 High Street, Newmarket CB8 5AJ (0638 2231), is asking for offers around £90,000.



Below: The 18th century School Hall, in 12 acres at Little Burstead, former Essex seat of the Earls of Moxborough, is featured in 'Burke's and Savills Guide to Country Houses, Volume III: East Anglia' and offers in the region of £250,000 were being invited by John Gibson, Savills, 136 London Road, Chelmsford, Essex (0245 69311)

shows the house shown in its greenery, the altered windows, and the addition of a modern, canopied entrance. As Mr Montgomery-Massingberd so rightly points out in the preface to the book, old pictures of houses that are still standing can also be more interesting than new ones not only because they may evoke a vanished age with aged retainers in the foreground, but because they also reveal how a house used to look.

The publications, *East Anglia's Built Environment As An Educational Resource*, £2.95 from Eastern Region, Royal Institute of British Architects (Lyndie Hutton), 66, Portland Place, London, W1, and *Burke's and Savills Guide to Country Houses, East Anglia*, £25 post free from Felicity Mortimer, Burke's Peasage, 156, Watton Street, London, SW3.

Free booklets: *East Anglian Property Outlook*, from Martin Preeth, Savills, 8 and 10, Upper King Street, Norwich, Norfolk, and Alan Jordan, Savills, 136, London Road, Chelmsford, Essex; *Property Viewers*, from Judy Terry, Baitstow Eves, 20, Springfield House, Springfield Road, Chelmsford, Essex; *Country Houses and Cottages in Norfolk and Suffolk*, Nigel Cotton, Strutt and Parker, 11, Museum Street, Ipswich, Suffolk; and *Bicentenary Year Property Market Report*, R. T. N. Ward, Booth, G. E. Sworder and Sons, Chequers, 19, North Street, Bishop's Stortford, Herts.

For general reading, Peter Steggall's *East Anglia* (Robert Hale, 1979, £6.50).

The herd thunders

MERRILL LYNCH, the giant U.S. stockbroker firm which has already created upheavals in the U.S. financial services business with its novel banking-investment accounts, has just unveiled a new service which allows American home owners to tap the equity they have built up in their houses.

Merrill estimates that this equity totals \$3 trillion (call that \$1trn): most of it money that is locked away in bricks and mortar and inaccessible to its owners.

Called the Equity Access Account, the new service enables homeowners to open up a credit line which is secured by that equity. The size of the credit line is equivalent to 70 per cent of the appraised value of the house, minus whatever loans or mortgages are already secured on it. If a person bought a house for \$50,000 with a \$30,000 mortgage five years ago and its value has doubled to \$100,000, his equity is \$70,000. Merrill will then allow him to borrow 70 per cent of that—\$49,000.

The cost of the credit is the prime rate (currently 16 1/2 per

cent) plus 2 1/2 per cent, meaning a borrower today would pay 19 per cent. There are also appraisal and front end fees, and a minimum interest rate of 14 per cent.

Merrill Lynch has a big real estate subsidiary which will do the appraising, but the money for the credit lines will come from financial institutions like banks and insurance companies, meaning Merrill will act only as intermediary. (This also means that Merrill will not end up owning thousands of houses if borrowers default.)

Money from the account can be used for anything except buying stocks and shares. This is because the Federal Reserve imposes tight rules on buying securities on credit. Borrowers will also get a Visa Card tied to the account.

The scheme is a bit like taking out a second mortgage on a house, except that it is a credit line rather than a loan, which gives the home owner a bit more flexibility. The credit card feature is a bit of icing on the cake.

David Lascelles

Outlook for ICI

RESULTS FROM Imperial Chemical Industries are always a big moment in the stock market. As Britain's largest industrial company, employing 73,000 people in the UK, ICI is in just about everybody's portfolio.

Shareholders have not had much joy in recent years. As Mr Stuart Wamsley of stockbrokers W. Greenwell and Co. remarks: "They've underperformed for the last five or six years." But now he and another chemical sector guru, Mr Howard Coates of brokers de Zoete and Bevan, are making some buoyant profit projections. And both see the shares appreciating handsomely this year.

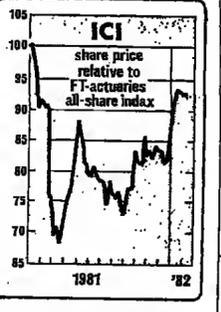
It all seems a long way from the black day last February, when ICI revealed that profits in 1980 had slumped from £613m to £284m, and cut the year's dividend from 23p to 17p per share.

Mr Coates now thinks ICI will be reporting £330m when the yearly results for 1981 are published on February 25. He thinks he is at the top of the analysts' range—Greenwell are projecting £315m—but de Zoete's chemical industry specialist is penciling in £530m for the current financial year, and £700m for the year after.

Mr Wamsley is a little more cautious. He foresees pre-tax profits of £450m in 1982 but is then talking of at least £550m in 1983.

As for the all-important dividend, both analysts say that ICI will go some way toward recovery and pay 18p net per share for 1981, and that the distribution will be fully restored to 23p per share for the current calendar year. After that Mr Coates looks for 25p and Mr Wamsley expects perhaps 26p or 27p.

They also predict a big acquisition and both are braced for a big fund-raising exercise in a couple of years or so to pay for some of the deals ICI is trying to line up in the U.S.



speciality chemicals market. ICI has pulled itself up by its bootstraps without much help from a world-wide upturn. The U.S. industry, says Mr Coates, "is still searching for the bottom" and the West German chemicals companies are still flat. Cost cutting has chopped ICI's UK payroll by 16,000 people over the last couple of years.

The shares have picked up smartly in recent weeks, and Greenwell's man says that there "are more grounds for buying the shares now (at 340p) than there were at 260p last autumn). He feels that the recovery was being treated "too optimistically" at that stage but is confident that "there are now lots more grounds for saying that European industry is winning its battle for survival."

He says that the "upturn has been very slow, very fragile and very sluggish."

Mr Wamsley would hold the shares for about 18 months to two years and feels that they will make at least 40p. Mr Coates advises caution for widows and orphans: "They would be much better off in growth stocks like Glaxo or in companies which are better placed in relation to inflation, such as BTR." And the chemical outlook, as Mr Wamsley says, remains "a bit iffy." With the possibility of major fund raising before the cycle peaks in 1983 or 1984, ICI still requires careful watching.

Ray Maughan

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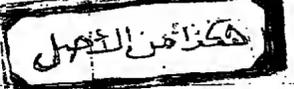
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LEISURE

A doppelganger

VAUXHALL would be the first to agree that the bad patch they went through in the mid-to-late 1970s was largely their own fault.

It was like one of those family rows in which one branch doesn't talk to the other and pretends it doesn't exist.

MOTORING

another because its products were outdated and it couldn't make enough of them to be profitable.

Finally, Big Daddy back in Detroit got tough, saying that if Vauxhall wanted to continue as a car producer, it would have to integrate its product lines with Opel.



Vauxhall's sportiest Cavalier, the 1600 SR, looks distinctly Roverish - from the tall end.



The Astra 1600 GL. A vigorous family automatic with almost an estate car's utility.

on the market today. From the Astra I moved to the larger Cavalier SR1600S, which costs £8,062 with manual transmission and looks decidedly Roverish from the rear.

Luxury trains of the world

TRAINS WERE once romantic. Those were the days when Victoria Station echoed with the muffled sound of announcements of departures to Paris, Venice and even... Constantinople.



The restored 1915 Pullman carriage for the new Orient Express

plains by replacing it with air travel and the Red Arrow, a quick but all rail journey to Hong Kong for non-liers rather than tourists who want to stop and stare en route.

He has also introduced the Cape to Cairo express and the Taj Express.

The train comes complete with a separate dining car and an all-conditioned observation car with bar. There is even a library, a children's corner, a badminton shop and a foreign exchange counter.

TRAVEL

across America, and the relatively short-haul Palace on Wheels service in India.

Each bedroom has its own sink and lavatory, and air conditioning, and there is a shower in every coach.

They don't write British Rail timetables like that any more.

Pruning roses

A NOTE FROM the Royal National Rose Society reminds us that in many parts of the country, roses have suffered severely from cold this winter and may require extra hard pruning in consequence.

of budding can usually be identified plainly at or just below soil level because several canes have died.

by which time it should be possible to see clearly whether it was disease or severe weather damage that was causing dark blotches and small spots or merely superficial weather damage which time will heal.

When all dead or severely damaged growth has been removed it may still be necessary to do a little thinning out or cutting back to improve the balance of a plant or encourage it to produce large flowers.

GARDENING

prune and my advice would be to leave this as late as reasonable, say until the last fortnight in March in most parts of England, Wales and the west coast of Scotland.

With standard roses it is different again. Almost invariably the whole of the main stem is wild rose and growth buds of the garden roses are inserted on this at the height of the main stem.

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India's unique holiday concept, the Palace-on-Wheels, brings back to life the vintage splendours of the age of Maharajas, Viceroys and Governors-General we thought had gone forever. DON'T MISS THIS TRAIN!

Most rose stocks are hardier than garden roses and will probably survive even the severest cold experienced in the worst cold winters of Britain this winter.

Having got rid of all that is dead there may still be further pruning to be done.

The Financial Times new publishing Motor Car advertisements every Wednesday in addition to the Saturday Motoring page. Only £20.00 per single column centimetre (minimum size 3 cms or 1.25 inch wide (minimum 3 lines)

ROSES ARE RED, Violets are Blue, Will you send me a kiss, I'll send you a rose. Order from 01-252 2295

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BOOKS

Poor little rich girl

BY RACHEL BILLINGTON

Every Secret Thing by Patricia Campbell Hearst with Alvin Moscow, Methuen, £8.95, 466 pages.

The Patty Hearst kidnapping became a major news story overnight and remained so for what must be recorded time for an individual—who isn't a film star or President of the United States. Her story had everything. Millionaire's daughter snatched half naked by masked raiders, carrying machine guns. They declare themselves to be the previously unknown Symbionese Liberation Army and force Patty's father to redistribute some of the legendary Hearst wealth in food hand-outs to the poor, costing two million dollars. But Patty stays kidnapped. Then, just as the story seems to be fading, she is photographed taking part in a bank raid in which two bystanders are seriously wounded. Tania, the latest recruit to the S.L.A. is born, wearing a dark wig and carrying her own gun, finger on the trigger.

Under coercion? Or of her own free will? Now the questions start. A barrage of information or misinformation about her past, revealing every sort of delinquency, from telling a nun to go to hell to major revolt against her bourgeois background. Had the good girl gone mad? Or had she never been good at all? The controversy raged. The Hearst family needed barricades.

Then again, no Patty and the limelight turned elsewhere. Only to blaze up more furiously when six of the group holding her were burned to death in a grand shoot-out between them and an army of police, as seen live on television all over the United States. Was Patty one of the charred victims? This question at least was answered when she was eventually arrested with two more surviving members of the S.L.A.

When asked by the police reception what her profession was she answered without a

flicker, "Urban guerrilla." So the central question mark continued over the several months of psychiatric examinations which preceded, finally, the endlessly prolonged trial. Villain or victim? True urban guerrilla or brain-washed prisoner? The press, interviewing eager doctors, lawyers and even the judge (who managed to die before sentencing) kept the mystery going. Rape, burglary, murder and still all the Hearst money. The flamboyant F. Lee Bailey, her defence lawyer, used every angle.

Patty was convicted. But after something over a year she was granted "Executive Clemency" by Jimmy Carter himself. Back in the world in February 1978, almost five years after her kidnapping, she soon looked once more like an ordinary bright and lively Californian girl. One more flash of publicity when she married her bodyguard (admitted to jailers?), providing the Cabbage Patch doll for Patricia Campbell Hearst and then peace. Presumably she hopes to live happily ever after.

Now comes this book ready to unveil all the mysteries of what happened during those many years of captivity—if it was captivity. It is a large book, opening with an explanation of her privileged though not pampered childhood and life until the snatch and then going into literally day-by-day and often hour-by-hour description of what happened during the whole period she was outside society. The initial drama, two months in a cupboard with a gag in her mouth, a radio playing music into her ears and death ever threatening outside the door, is a small part of the picture.

Soon she is learning about her captors, their leader "Cin," a black escaped convict, "Cajo," the only other male, a white man, and the four women, also white. She gives them dialogue and makes vivid pen-portraits. It is revealing to match these

descriptions of desperadoes with their photographs which in the case of the girls show nice smiling middle-class faces.

There is no doubt that this book must become a handbook for anyone studying the psychology of the various guerrilla groups now spiking democracies all over the world. The past history of each member of the group is also documented so that one can see the moment and the reason when each one became alienated from society. The reason is always different but almost never a matter of genuine ideology. They were getting their own back in a way which had given them nothing—or worse. Attack is the best form of defence. Their theories for a brave new world which they expended in their various tape recordings to which Patty contributed, were muddled to say the least. The one thing that they did understand was the power of publicity.

It is at this serious level that the book is most interesting. The actual fabric of the story soon becomes monotonous. The truth was that their life of self-imposed captivity in "safe houses" was incredibly boring. As Patty describes it, they passed their time in two ways. First there was "military training" which was taken extremely seriously, including wild runs up and down stairs laden with packs and guns. Secondly, there were meetings. These went on for hours, often far into the night and consisted of a mixture of group-therapy and plans for future action.

The action, in Patty's time, one bank raid and one attack on a dry goods store, kept them in a state of nervous excitement. That and their constant close proximity to each other. Nevertheless, the style of the book is oddly flat, whether a true reflection of Patty's attitude to her nightmare experience or due to deficiencies in the writing of her co-author, Alvin Moscow, it is hard to say. It does give a



sense of dreary reality to her descriptions of even the most sensational aspects to her story. Her sex with the two men of the group, although clearly rape in the sense that it was against her will, is told in such a way that makes it clear she was already a kind of zombie, beyond a screaming protest—even an inner scream.

As she comments, "my thoughts at this time were focused on the single issue of survival. Concerns over love and marriage, family life, friends, human relationships, my whole previous life had really become in S.L. terms, bourgeois luxuries." Thus, already, at this early stage, she was brain-washed. The sadness of the Patty Hearst nightmare, from her own evidence, is that she seems to have had no inner life strong enough to even begin to combat the effect of the terrorists. She never saw her captivity in any

Quiz master

BY GEORGE WATSON

Thoughts and Thinkers by Anthony Quinton. Duckworth, £5.00, 365 pages.

It is not the past that has most interested British moral philosophers in our times, unless as a treasury of examples. Present and future understandably look more urgent. Collecting 33 of his articles on past thinkers from Hobbes to Mortimer Adler, and on such well contested problems as equality and tragedy, Anthony Quinton can lay some claim, in his preface, to a degree of eccentricity. But then he is in no danger of being mistaken for an ordinary chap. He is a professional philosopher at Oxford, a noted radio voice, and the head of a college that numbers London, Cardinal Newman and Jeremy Thorpe among its members. What he has now done, adds to his distinctions, and to his college's, is to have succeeded in writing an entertaining book about some traditional concerns of moral philosophy. These are brisk, footnoted essays, and at times (it seems almost shocking to confess) something of a sort of amusing.

Quoting Mary Midgley, Mr Quinton complains in his preface of the "tiny arid garden" of British moral philosophy. Its masters have been too little concerned with the sheer history of thought, so he argues, and he dismisses Bertrand Russell's History of Western Philosophy, which might be thought to stand out against him in this regard, as too regardless of strictly historical considerations, and too bound up with its own polemical purposes, to be properly called a history at all.

Mr Quinton's own mind is neither dry nor arid—it has been watered far too often for that, with notions large and small—but I suspect his interest in the past is not in principle enormously different from Russell's "timeless senior common room" of philosophical debate. There is nothing much the matter with that, provided you are ready to accept it.

The real case for this book is that, like public gardens, it is open to anyone. In its disjointed way, being composed over more than 20 years, it amounts to a popular history of Western philosophy since Hobbes, Hume, and some unfashionable Victorians, all seen through very twentieth-century spectacles, with backward glances at Plato and Aristotle. The emphasis, too, is twentieth-century British: Russell, G. E. Moore, Wittgenstein, Popper. Mr Quinton has a quick hand with exposition, and can always

lay out a familiar problem like elitism in a dextrous and efficient way. Arguments are marvellously accessible, and (preface apart) commendably unpretentious. You do not have to be a philosopher to read it. You do not even have to be a philosopher to want to.

I suspect the lay reader may well find the second part, which is on thinkers, more inviting than the first, which is on thought. People are more fun than ideas. The very title of the first essay, "Has man an essence?" has a misleadingly chilling air, though the lively run it offers through Aristotle, Marx and Sartre, thrives out in the event to be witty and point-scoring. Mr Quinton has a flair for summary, as BBC listeners know. If his subjects gain little in philosophical status from his pen, that indicates the limits he has been content to set himself. He is not intent on widening the boundaries of existing knowledge or understanding, professionally speaking—merely our sense of what that existing knowledge is.

This is a relaxing book, surprisingly enough: many long paragraphs, good points on good points, and elegant, right-minded as philosophical essays are ever likely to be. One might sometimes be inclined to say that Mr Quinton skates on thin ice, were it not that the depths beneath his prose are so very far from dangerous. It is not his object, to all appearances, to imply that "philosophy" is a highly important activity, just that if you choose to go in for that sort of thing, you might as well get it right.

An awful lot of people, as he has noticed, do not. Marx on essential man as a productive being, Sartre on man as having no essence at all, and (twice of all) the unthinking, most apostles of egalitarianism, all fall to win approval or support. So do those Proto-Libbers, Frieda Lawrence and Lou Andreas-Salomé, who are seen off here in two hilariously funny reviews as the self-inflating female tuft-hunters they indubitably were. But refutation is not the main game.

An interesting discussion called "Authority and autonomy in knowledge" rightly endorses Sir Karl Popper's famous point (I wish it were even more famous than it is) that tradition, or the store of knowledge that those around us share with us, is "by far the most important source of our knowledge." When, challenged, that we believe something only because we are told it, then, it is helpful to be able to reply that this is why we believe much or most part of what passes in our minds for

Anthony Quinton, President of Trinity College, Oxford: a polished bronze (1980) by his wife Marcella Quinton

knowledge, and that this is almost certainly true of every one of us. So much for those who think "social conditioning" an unanswerable objection to belief. But the ensuing account of the value of testimony is one of the few passages where the book fails to convince. Bertrand Russell once remarked that our learning a native language is "a testimony to the habitual veracity of our parents." Mr Quinton finds this "too fat some" on the grounds that without general veracity there would be no linguistic community in the first place.

The objection to this is purely hypothetical, I hope, and I hope it may remain so. But even hairs have to be used most of their terms accurately, in order convincingly to tell their lies at all, and it is still probable that a child, who was told nothing but lies would in the end learn his native tongue. A little more slowly than other children, perhaps, but an experiment emphatically not worth conducting. And if all Cretons were liars, it is still possible to imagine that there might be a language called Cretan.

It is surprising to have made a bedside book out of moral philosophy. A beneficial idea, surely, since people have to make moral choices all the time, and not least in bed. They will find Thoughts and Thinkers an undemanding book on the whole, and one that does not attempt to impose any exacting models of behaviour. Its concerns are analytical rather than hortatory. So far as it points anywhere, it points conservatively, coolly impatient as it is of the half-baked radicalisms and intellectual fiddlings of our age. This is a mild and wholly wise, and indeed, a good, and indeed, a useful, and indeed, a book, which will form only the most minor why we believe much or most part of what passes in our minds for

BOOKS OF THE MONTH

Announcements below are prepaid advertisements. If you require entry in the forthcoming panels applications should be made to the Advertising Department, Brackley House, 10 Cannon Street, EC4A 3DF. Telephone 01-248 5000, Ext. 7064.

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Fiction Red jokes

BY MARTIN SEYMOUR-SMITH

The Book of Laughter and Forgetting by Milan Kundera. Translated from the Czech by Michael Henry Heim. Faber and Faber, £7.95, 223 pages.

What We Talk About When We Talk About Love by Raymond Carver. Collins, £6.50, 159 pages.

Milan Kundera is the responsible answer to what might be described as our present political arrangements, and when we read him we ought not to think that he is merely joking. His first novel was called The Joke, and his life has in some ways been an ironic joke. He was a member of the Czech Communist Party until the takeover in 1948; thereupon he was immediately debarred from it. Kundera devoted himself to writing and to films, and some of his earlier works were published without interference. Then, after the Russian invasion of 1968, he was thrown out of his post as professor at the Prague Institute of Advanced Cinematographic studies—and all his books were removed from the country's public libraries. But he stayed until it was no longer possible for him to exist, when he went to France.

So The Book of Laughter and Forgetting, which for once lives up to the large claims made for it, contains much experience, the absurdities as well as the horrors of tyranny, the way in which the creative imagination can respond to a reality which it could not even in its worst moments invent, because it is so tedious and humourless and cruel, the knowledge that the quest for virtue cannot be knocked out

of anyone, given by Communist bureaucrats. Easy enough to read, this novel, well translated from the original of 1978, demonstrates that what so many people denigrate as modernism is no more—when it is not pretentious—than a new and essential form of realism.

The novel is in seven parts, each one bound to the other in unexpected ways. Instead of reacting to the horrors that form the historical background to his subject matter in an earnest or shocked or attitudinal manner, Kundera deftly and humanely concentrates on the quotidian, thus demonstrating how psychopaths-in-office cannot, however desperate their need, prevent life from going on as usual. All they can do is to change its direction; they cannot change its quality, often neither good or bad—but always vital when you understand it.

This is not a book for a reviewer to describe. It is always pleasurable to read, good-humoured, comic (Kundera's country is that of Hasek, as well), and unobtrusively compassionate. You will learn more about the nature of the Russian Empire and the traits who served it from this than you ever will from the most worthy histories and non-fiction accounts. It is a novel good enough to bring up, once more, that first-class imaginative writing really arise from neurosis and sickness? Compare this with the speech of any politician, even a Western one. Raymond Carver, an American story-writer and poet, collects 17 of his laconic stories in What We Talk About When We Talk About Love. There has been a great deal of enthusiasm about them ("one of the great writers



Milan Kundera: absurdities of tyranny

of America"), but this is premature. A few years ago there was a "minimalist" style fashionable in English (not American) poetry. You were afraid of your feelings, which nevertheless you had, and so you cut them right out, wrote a very tiny poem, and hoped that the reader would think you were toughly compassionate and tight-lipped.

It did not work, and the results of the minimalist episode have already been forgotten: the weakness was that the practitioners had no epigrammatic force. Carver, too, is a minimalist—but in the story. He knows that life is terrible, fraught with suffering, comic when it is most tragic, and that he cannot do anything about it. He feels it all deeply, and this feeling does sometimes come across: it does so when he is not trying, but simply imagining. Otherwise, for all his cleverness, he is being evasive; chying away from the real issues of feeling and meaning—even if only meaning in the terms of his personal vision.

All a chequerboard...

BY ANTHONY CURTIS

The Royal Game and other stories by Stefan Zweig, translated from the German by Jill Sutcliffe. Jonathan Cape, £6.95, 304 pages.

The Poetry of Chess edited and introduced by Andrew Waterman. Anvil Press Poetry (paperback), £4.95, 189 pages.

Although chess would seem to appeal as a pastime to people of scientific or mathematical cast of mind it has a strongly aesthetic side to it. Roger Fry, for example, loved chess, and I cannot but feel that the Bjornsons doctrine of "significant form" in art owed something to the game. The great chess-playing contemporary novelists are Nabokov and Beckett, both of whom have married chess with literature. Nabokov, in his novel The Invincible, among other works; Beckett, in Murphy, and in his play End Game. Other modern chess-novelists include Martin Amis and William Golding. In spite of the very ugly light in which Golding reveals the chess-play-

ing father in Darkness Visible be himself has a genuine love of the game. One of the most gripping fictional accounts of a game of chess was written by the Austrian-Jewish novelist Stefan Zweig in The Royal Game. This now makes a welcome appearance in a new volume of his stories which contains a perceptive introduction by John Coward. The chess tale turns on a man's period of solitary imprisonment, punctuated by interrogation from the Gestapo, during the course of which he sustains his power of resistance by playing games of chess against himself in his head.

Chess has also had a strong appeal, from the middle ages to the present time, to poets, as a rich source of imagery, and as a suggestive model for amorous and political contests. This has given Andrew Waterman, who is a chess-player, a poet and a lecturer in English at the new University of Ulster at Coleraine, the excellent notion of making an anthology of poems about chess over the centuries, preceded by a fascinating essay of his own on chess

and poetry. The launching of the book was celebrated with a reading at the Poetry Centre, Earl's Court, after which the British champion William Hartston played against 18 members of the audience simultaneously. Seventeen of them lost, and one (Peter Loughrey) managed a draw.

The anthology stretches in time from Chaucer and Lydgate to Pound and Yeats. It includes contemporaries as diverse as Patricia Beer and John Berryman. An impressive modern poem on a chess theme was published within the past few years, "The Most Difficult Position," by John Fuller, after the proposed match between the Englishman Staunton and the American Morphy. This match never took place, though by all that is sacred in chess it ought to have done; just as last year's world title match at Merano ought to have been between Karpov and Fischer. Through a series of dramatic monologues after the manner of Browning, Fuller depicts the contrasting temperaments of the two putative opponents, and penetrates their motives for wishing to play and not to play.

Table with columns: Deposit rate, Share, Sub'n, Term shares. Lists various building societies and their rates.

* Rates normally variable in line with changes in ordinary share rates. All these rates are after basic rate tax liability has been settled on behalf of the investor.

CHESS/BRIDGE

HOW TO SPEND IT

by Lucia van der Post

Victory in Wijk

BY LEONARD BARDEN

JOHN NUNN'S remarkable performance at Wijk aan Zee last weekend gives renewed promise that British can develop grandmasters of the highest class.

Full scores in this, the annual Hoogoven international, were Nunn (England) and Balashov (USSR) 8½ out of 13, Hort (Czech) and van der Wiel (Holland) 7, Tal (USSR), Nikolic (Yugoslavia) 6½, Sosonko (Holland) and Hubner (West Germany) 7, Ree (Holland) 6½, Timman (Holland) 5½, Christiansen (U.S.) 4½, Sunye (Brazil) 4, Chandler (New Zealand) 3½.

The tournament had an average rating of 2,556 (equal to a British grade of 244½). It was thus marginally stronger than the 1980 Phillips and Drew Kings in London where Tony Miles tied for first with Korchnoi, also with 8½/13, in a 2,554 event.

Those behind Nunn included Timman, currently ranked world No 2, Tal, the great attacking genius, and Hubner, the defeated 1981 candidate finalist. With that background, the result is probably the best ever individual performance by a British player in international chess.

The world ranking list discussed in last week's article placed Nunn 18th, but now he should be in the top dozen and among the super-elite of grandmasters rated 2,600-plus. Most significant, he is at least four years younger than any of his non-Russian rivals.

On present trends Nunn could become world No 3 after Karpov and Kasparov within a couple of years.

The British player won his individual encounters with Tal, Timman and Hort, while his only loss came unexpectedly against Nikolic. Nunn v Tal appeared in last week's column. The game below was played in the opening round and demonstrates why the "hedghehog defence" (pawns at QN3, Q3 and K3) is so fashionable among many tournament players, requires precise handling. Here Black tries to counter earlier than usual and Nunn wins brilliantly.

White: J. D. M. Nunn (England). Black: J. Sunye (Brazil). Sicilian (Wijk aan Zee 1982).

1. P-K4, P-QB4; 2. N-KB3, P-K3; 3. P-Q4, P-P; 4. N-KP, P-QR3; 5. P-QB4, N-KB3; 6. N-QB3, P-Q8.

6... B-N5 is more forcing. 7. B-K2, P-K2; 8. Q-O, Q-O; 9. P-B4, R-K1; 10. B-K3, Q-N2; 11. Q-K1, Q-B2; 12. Q-N3, R-N1; 13. R-B1, P-QN3; 14. Q-R1, N-B4.

Black seriously underestimates White's central attack. Normal strategy in this type of

position is 14... B-N2 followed by QR-B1 and Q-N1; Black then limits any further expansion of White's centre while waiting for an opportunity to counter by... P-QN4 or by... Q-R1 and... P-Q4.

15. P-K5! KN-K5; 16. N-KN; 17. Q-R3, P-N3; 18. B-Q3, B-N2; 19. N-P1!

Taking advantage of the weakened king's defences, if now 19... Q-B1 then not 20. N-Q4? Q-Q2; 21. P-Q; N-B7 db ch; 22. K-N1, N-P2 mate but 20. B-N, B-B2; 21. P-P, threatening 22. P-Q7.

19... P-N; 20. B-N, B-B2; 21. Q-KP ch, K-N2; 22. P-P, B-P; 23. B-Q4 ch, K-B1; 24. Q-B5 ch, K-N1; 25. KR-K1!

The hidden point of Nunn's sacrifice. White threatens 26. Q-R8 ch followed by Q-N7 ch forcing the BK on the king's file and thus winning the bishop with check.

25... Q-Q2. Protecting the bishop while guarding against Q-N7 mate; 26. Q-R8 ch, K-B2; 27. Q-P ch, K-K3.

If 27... K-B1; 28. Q-R8 ch, K-B2; 29. Q-N7 ch with the same finish.

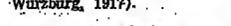
28. Q-Q, resigns. After 28... R-Q; 29. R-B ch, K-B2; 30. R-R White is three pawns up with a simple end-game win.

PROBLEM No. 409
BLACK (3 men)



From the Russian championship semi-finals, 1981. White (to move) gave up a rook to reach this attacking position. Can he justify the sacrifice, and how should the game go?

PROBLEM No. 409
White mates in two moves, against any defence (by O. Würzburg, 1917).



BLACK (3 men)



WHITE (6 men)

Solutions, Page 10

On pairs play

BY E. P. C. COTTER

MARTIN HOFFMAN, who has a great track record in pairs events, has just produced Hoffman On Pairs Play (Faber £6.95), a book which I am happy to recommend to readers; it is most instructive.

Let us watch the author playing this diamond slam:

N
♠ 2
♥ AK9
♦ K10 9 2
♣ KJ10 4
W E
♠ 10 7 4 ♠ 8 6 5 3
♥ 7 6 3 ♥ 5 4 2
♦ J 5 ♦ Q 4 3
♣ A Q 8 5 3 ♣ 9 7 6

S
♠ A Q J 9
♥ Q 10 8
♦ 8 7 6
♣ 2

Martin dealt in the South seat at a love score, and opened the bidding with one diamond, North forced with three clubs, and South rebid three no trumps. Over North's four diamonds the opener said four spades, and after a Blackwood check for Aces found himself in six diamonds.

After making the Ace of clubs, West switched to a heart, and South had to find some way of avoiding a trump loser. Dismissing the chances of a doubton Queen, Knave in one hand or a singleton honour with East, Martin decided to play for a Devil's Coup.

To bring off this rare ending, it is necessary to arrive at a position where one defender holds three trumps, the other two trumps and a plain card. A break in hearts was essential, so the declarer cashed Ace, King, and Queen, and followed with three top spades. The third spade was ruffed on the table, and there followed the club King and a club ruff in

hand. In the four-card ending dummy held K 10 9 of trumps and the Knave of clubs, declarer held the spade Queen and A 8 7 of trumps, West was left with J 5 of diamonds and Q 8 of clubs, while East had the 8 of spades and Q 4 3 of diamonds.

When South led the Queen of spades, West correctly threw a club, and dummy ruffed. The club Knave was returned, and the defence was helpless. If East ruffed low, South would over-ruff; if he ruffed with the Queen, declarer would over-ruff with the King, and then finesse dummy's diamond ten.

We turn to From All Angles:

N
♠ KJ 8 3
♥ 10 5
♦ A 10 6
♣ 8 6 4 3
W E
♠ 8 ♠ Q 9 5 4
♥ A Q 9 7 4 ♥ J 8 2
♦ Q J 9 5 4 ♦ K 7 3 2
♣ A 7 ♣ 9 5

S
♠ A 10 7 2
♥ K 8 3
♦ 8
♣ K Q J 10 2

With North-South vulnerable, South bid one club, West over-called with one heart, and North doubled. This was a negative double, showing some 7 to 10 points and four spades. South rebid two spades, West competed again with three diamonds, and after two passes South's three spades concluded the auction.

West led the diamond Queen, won with the Ace, and a spade was returned from the table for a successful finesse of the ten. After cashing the Ace of trumps, the declarer played the King of clubs, West won, and led another diamond, which was ruffed in hand, and South cashed the Queen of clubs.

At the seventh trick South led the two of clubs to dummy's eight. It seems natural for East, sitting with Queen, nine of trumps over dummy's King, Knave to ruff, but Martin was sitting East, and saw that this would be fatal. Therefore, he discarded a heart. The declarer ruffed a diamond, and played fourth club. This time East ruffed with the spade nine, returned a heart for West to win two tricks, and a heart return established the setting trick, because East's Queen was promoted to master rank.



The Resolute by Vermont Castings, £741.75

Bright sparks

UNTIL now the idea of solid fuel stoves which double as cookers and central heating units has seemed to make more sense for large country houses than for the smaller living units that are the inevitable corollary of urban life. However, a new shop at 49 Chiltern Street, London, W1, hopes specifically to sell the sort of stoves and offer the kind of advice that those who live in cities (and London in particular) need.

Run by Rose Gray (whom many readers may remember used to manufacture a range of highly decorative stoves until the rising pound and expert Taiwanese copies undermined her market) and Morley Marketing, the aim is to offer a complete service to would-be stove owners. All the stoves have been chosen because they are particularly suitable for burning the fuels that urbanites have access to (coal, anthracite, smokeless fuels) though there are some that will happily adapt to wood as well.

In particular at the London Stove Centre readers will find a splendid selection of stoves from the American company, Vermont Castings. Rose Gray thinks that they are extremely well-made, are especially suitable for coal or anthracite (though they also burn wood extremely well) and because they are thermostatically controlled they can be left

unattended for as long as 18 hours at a time. The stoves have a simple classic appearance, are hand made in cast-iron and can be used as room-heaters and to heat domestic hot water—but not for cooking (other than perhaps boiling a kettle or a saucepan). There are three stoves (the Resolute is photographed left) in the collection and prices range from £545 to £725.

The great joy of the Centre, however, is that besides showing a good range of multi-fuel appliances you can go there for expert advice (choosing one is, as you can imagine, a complicated matter), you can see a whole selection of them fitted into position and see how they look against a variety of different materials. For instance, the Wamsler, which is a stove that will supply the central heating system as well as being a cooker, can be seen in action.

Particularly pretty is the Italian ceramic tiled boiler—though at £1,200 it isn't cheap. Besides the stoves you will find all the accessories to go with them—things like heat-proof gloves, coal-buckets, hods, pipes (both steel and brightly-painted enamelled ones), coal-bunkers and so on. The London Stove Centre is open from Tuesdays to Saturdays from 10 am to 6 pm except for Thursdays when it is open until 7 pm.



The Oval Godin stove, £285.75



Talent show

NOBODY is in any doubt that Britain is full of exceptional young talent in every creative sphere, whether it be the arts, fashion or industrial design. Fashion and design firms from Italy, France and Germany regularly come here scouting for new ideas and new blood but what seems to defeat everybody in this country is how to use it, how to integrate all this creative skill and energy with the commercial world. Many of the youngsters emerging from what is one of the best art school trainings in the world find the outside commercial world almost impossible to penetrate.

On Monday, a group of very young and talented youngsters, who decided not to sit about waiting to be discovered but to take matters into their own hands, will be showing those who are interested just what they can do when they stage their own show at the Park Lane Hotel in London W1.

They will hold a fashion show in which some 90 garments will be modelled, all of them designed and largely made up by the designers themselves. In between there will be performances by the Ballet Rambert Academy, the mime duet Flex and there will also be a

chance to see the work of painters and illustrators.

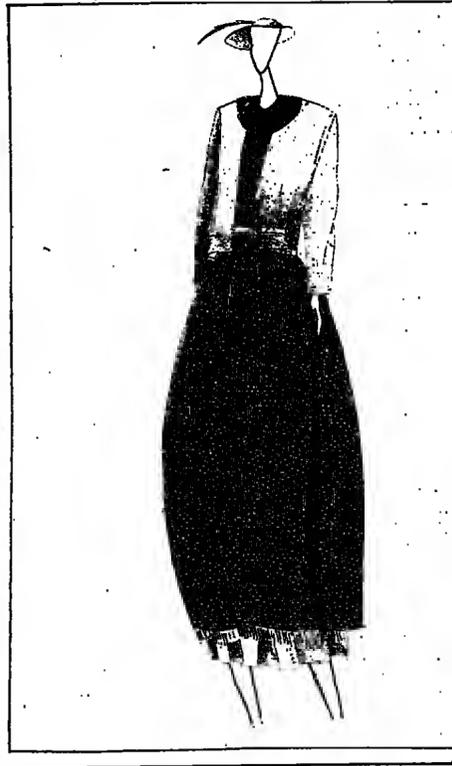
Altogether it should be a lively and fascinating evening. Everything has been organised by the students themselves—prevalled upon The Financial Times to give them some sponsorship and they are giving everything they make over and above the costs to the NSPCC.

There will be two shows on Monday, one at 6 pm (tickets £6) and one at 9 pm (tickets £10, champagne included). Anybody wanting to go should ring Miranda Nicolle on 01-235 6572 before 6 pm today.

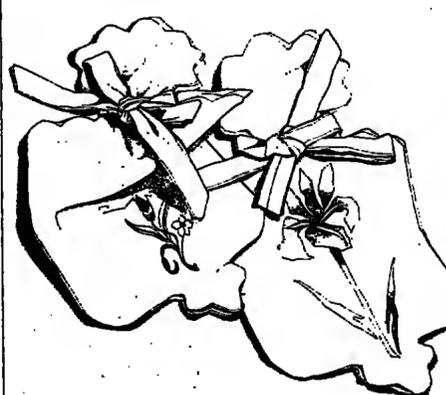
All the clothes will be for sale and there is a rich and varied collection of styles—from the softest, most sophisticated of suede designs by the Magenta design team (contact them at 930, Finchley Road, London NW11. Tel. 01-455 9529)—prices are extremely reasonable (for instance the dress featured left, in beautiful raspberry suede is £900 through chic grey pin-striped, hand-painted silks to children's taffeta and the sleek Puritan look, right, by Tom Starzewski (the skirt is grey, white and black dog-tooth wool £110, spotted silk crepe-de-chine blouse £80 and red velvet jacket, £85).

Magenta's raspberry suede day dress

Tom Starzewski's elegant three-piece suit



WOODWORKING CRAFTS MAGAZINE. A new woodworking magazine. A fresh source of information and knowledge for the woodworker available on subscription.



Paul Desmond

It has been years since I remember searching the house for hot-water bottles, but this winter in the big freeze our household certainly had need of them. Success of the year, when it comes to covers, has to be said to be the jokey pyjama shirt cover sold by Strangeways. It comes in a variety of authentic pyjama shirtings, from that peculiar shad of institutional green, through to those rust and pale yellows that all those boarding school pyjamas are made of. You can buy just the cover for £5.95 from all Strangeways branches (3 Holland Street, London, W3 or 502 Kings Road, London SW10 or the Strangeways shop in Covent Garden Market). Alternatively you can buy it complete with hot-water bottle inside for £10.35, as shown right.

More raffinee, less jokey, are the exquisite collection of covers of all sorts on sale at The White House, 51-53 New Bond Street, London W1. Not everything at The White House is as expensive as one fears and if you are looking for fine bedlinen, towels and other

Jan Wheeler

Postscript



If you're still pondering on the vexed question of St Valentine's Day (Sunday, February 14, for those who haven't got around to looking it up) and none of last week's suggestions happened to appeal, then this week I offer three more ideas. Eximious of 10 West Halkin Street, London SW1 is offering to put special Valentine messages on its beautifully boxed soap. The boxes are plain and classy navy-blue with discreet "gold" markings, the two bars of soap inside are individually wrapped and on the wrapper comes the message "Be My Valentine." £4.95 for the box. If you want it posted add £1 for postage and packing.

Halcyon Days of 14 Brook Street, London W1, as always, came up with an exquisitely rendered version of the theme (photographed above left), in the shape of one of its small, round enamelled boxes. This one was designed by Caroline Ebborn, is the 9th in the series made to celebrate St Valentine's Day and it is exceptionally pretty. Pink roses, turquoise hearts and ribbons are hand-coloured on to an ivory background and in the centre is the simplest but most heart-warming of messages—"I love but you." Production of the box is limited and will cease on February 28. Available only



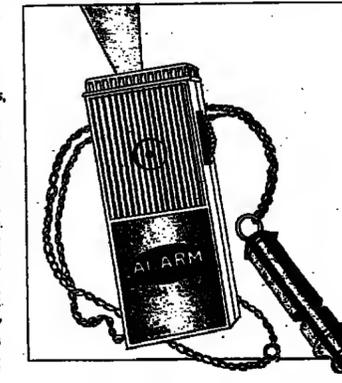
from Halcyon Days, £24.90 (£1 p+p). Crumblies is a newer company that started doing hand-painted enamel work a few years ago. This year its St Valentine's Day box is in dusty pink with a drawing on the front of a Cupid surrounded by a rustic stream in soft blues, pink, greens and yellow, (above right). £23.55 from Harrods, Fortnum and Mason, Asprey, T. G. Gode, Mappin and Webb in London and other gift shops.



Anybody who has ever suffered from an allergy after using cosmetics will appreciate the thoughtfulness of a new hypo-allergenic range that has been launched in a pack of miniature sizes. Nothing is more irritating than lashing out on a new wonder product only to find that it brings one out in spots, bumps or swellings. Queen Cosmetics is therefore doubly useful for those prone to allergies—first of all the products themselves are hypo-allergenic and secondly, the trial sizes are so small that even if an allergy should by

some remote chance be discovered, the mistake is not too expensive. Queen Cosmetics calls its collection of mini-sized cleanser, night cream, freshener and moisturiser, the Queen Flight Bag and for trial sizes of all four, in a neat pack, the price is £2.20.

Sold at branches of Boots Chemists, Sainsbury & Moore as well as Salfredges and Harvey Nichols in London. You can buy it by post (add 50p extra) from Queen Cosmetics, 130 Wigmore Street, London W1.



Drawing: Celia Baker

One of the less attractive aspects of modern life is that those who have cause to travel alone through any area at night, whether lonely urban streets or even emptier country lanes, no longer feel quite safe. There are now several devices on the market which might make the elderly, the nervous or those particularly at risk feel safer. One of the least expensive is an alarm torch (sketched left) which can be used simply as a torch but it also has an alarm which can be activated at the press of a button. The alarm sound is high-pitched and disturbing enough to be heard for some considerable distance. In orange and cream, the torch runs on three UM3 batteries and is small enough to fit into a handbag (5½ ins long by 2 ins wide by 1 in deep). £2.15 from Peter Knight of Esher, Surrey. (p + p 45p extra).

Simpler, cheaper but still remarkably effective is the English bobby's whistle. Silver-coloured on a 15 ins long chain, its just 85p and is also available from Peter Knight. (p + p 25p).

COLLECTING

Landseer rears his head

BY JUNE FIELD

I would I were the great Landseer... Th point the best of dogs and deer... I would not care for glory, since I pleased my Queen and charmed my Prince.

Even with the revival of interest in most things Victorian, the work of the once fashionable Sir Edwin Landseer (1803-1873) is only just beginning to attract attention again.

With the exhibition of 155 of his works at the Philadelphia Museum of Art last month, which comes to the Tate Gallery in London on Wednesday...

as a rising star... from a fairly sheltered background he blossomed into a dandy and man of the world. His charm quickly won him an entree into the drawing rooms of the great, and throughout his life he was able to move in the highest aristocratic circles.



The painter of The Monarch of the Glen also designed Nelson's lions in Trafalgar Square

most frequent and most accomplished subjects. Although as Campbell Lennie says in his admirable full-scale biography Landseer... 'The Victorian Poragon (Hamilton, 1976, £8.95): "While it would be unfair to suggest that the cultivated...'

No one has ever been able fully to explain Landseer's nervous breakdown at the age of 37, and why his later years were haunted by depressions, psychosomatic disorders and alcoholism.

study of a man disembowelling a stolen stag. The same year at Sotheby's a Portrait of Sancho Panza could be bought for £550.

Understandably, any player always has a deep regard afterwards for his first captain and perhaps only years afterwards is he seen to be human and frail rather than god-like.

مكتبة النور

SPORT

Commanding qualities

IRELAND'S eight-point victory over Wales was not predicted by the majority of the pundits but this means that Ireland is the only country which can lift the Triple Crown this season.



Bill Beaumont (left) and Steve Smith after Beaumont withdrew from today's international

The blow to England is more psychological than physical but of course it means a great disruption. It leaves one to ask how important the captain's role is and what his essential qualities and responsibilities are.

Understandably, any player always has a deep regard afterwards for his first captain and perhaps only years afterwards is he seen to be human and frail rather than god-like.

RUGBY

PETER ROBBINS

encountered was Eric Evans, but his great asset—common to all good captains—was that he could communicate with his team.

encountered was Eric Evans, but his great asset—common to all good captains—was that he could communicate with his team. He was no strategist or subtle tactician but he was honest and technically good at his job.

THEATRES

SAVOY, CC 01-538 3888. For Credit Card bookings: ring 930 9271 (4 lines). Savoy Theatre, CC 01-538 3888. For Credit Card bookings: ring 930 9271 (4 lines).

Glendinings

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WEDNESDAY, 17th MARCH, at 11 pm. BRITISH ORDERS, DECORATIONS & MEDALS (Catalogue in course of preparation - Price 50p).

RACING

DOMINIC WIGAN. Now that Little Owl has blotted his copy-book in two successive races, his far more experienced stable companion, Night Nurse, has joined him at the head of the Gold Cup market.

ART GALLERIES

BRIDGE & DARYL, 15, Colt St., W.1. CRANE GALLERY, 171A (1st floor), Sloane St., SW1. 235 2494. AMERICAN & ENGLISH ARTISTS.

CLUBS

EVER has outlived the others because of a policy of fair play and value for money. Every from 10.30-11.00 am. Disco and tenpin bowling. Bookings: 199 Regent St. 734 0537.

CLASSIFIED ADVERTISEMENT RATES

Table with 3 columns: Category, Per line, Single column cm. Includes Commercial & Industrial Property, Residential Property, Appointments, Business & Investment, Opportunities, Personnel, Motor Cars, Hotels & Travel, Contracts & Tenders, Book Publishers.

NEXT WEEK'S SPORT

SOCCER: League Cup semi-finals, second legs, Feb 10. FA Cup, 5th round, Feb 13. CRICKET: President's XI v England (Sri Lanka), Feb 9-11. Sri Lanka v England, one-day international (Columbo), Feb 13, and (Columbo), Feb 14.

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SNOW REPORTS

Table with 2 columns: EUROPE and THE U.S. Lists snow depths and conditions for various locations like Flaine, La Plagne, Andermatt, Crans, Davos, Grindelwald, Zermatt, Verbier, Aspen, Hunter, Park City, Squaw Valley, Stowe, Singabush, etc.

Falling in love again

IT IS INEVITABLE that one should look back on one's first love with affection, but a tinge of embarrassment. A week or so ago we were three male skiers on the tracks of our first loves.

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Table with 2 columns: EUROPE and THE U.S. Lists snow depths and conditions for various locations like Flaine, La Plagne, Andermatt, Crans, Davos, Grindelwald, Zermatt, Verbier, Aspen, Hunter, Park City, Squaw Valley, Stowe, Singabush, etc.

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Saturday February 6 1982

Verdict of the marketplace

IN THE END Sir Freddie Laker has crashed, as noisily as he rose to prominence in the first place. But the surprising thing is not that the financial pressures have at last proved overwhelming, but that such a financially capitalised enterprise as Laker Airways was ever able to achieve such size and influence. The whole affair says much about the structure of the international banking system, and the ability of an ambitious entrepreneur to exploit it.

Since 1977 Laker Airways has borrowed massively, increasing its debt from some £25m to a final total of over £200m. Sir Freddie has built up a fleet of 14 modern wide-bodied jet airliners, and had another seven on order before their recent cancellation. All this was on a slender equity capital base, which last March was given in the balance-sheet as about £25m. But even this modest figure owed a significant amount to the favourable effect of currency swings. Since then the sterling-dollar pendulum has swung the other way, aircraft values have collapsed in the recession, and Laker Airways has been wiped out.

Risky

Why were the banks ever persuaded to finance such an enterprise in what is, on any analysis, an extraordinarily risky industry? It is not as though there were no precedents for collapse: the 1974 failure of Court Line ought to have been fresh in the bankers' memories.

Plainly part of the explanation must lie in the sheer persuasiveness and strength of personality of Sir Freddie himself. But the key factor is the mushroom growth of international banking, fuelled by OPEC deposits, and leading to an intensive search for new lending opportunities. Aircraft are large and expensive, and gobble up capital. But such has been the need of lending executives to arrange credit that size has involved no disadvantages.

A further factor has been the attitude of Governments in countries like the U.S., France and Britain. There is much prestige attached to successful aircraft industries, not to mention jobs. Bankers have therefore often been under political pressure to support aircraft and aero-engine sales, and indeed subsidies are often available.

While the more technologically advanced countries have been promoting aircraft sales, a similar phenomenon has been seen in the activities of many less developed countries in the shipbuilding industry. Ships are also large earners of foreign exchange and the construction of them generates much employment.

Shipbuilding projects are eminently suitable for development as large-scale state-funded schemes. Imagine how much more difficult it is for governments to develop, say, toy-making or computer software industries which require a huge

amount of small-scale technical knowledge, marketing expertise and business flair.

The result in the shipbuilding industry has been the glut of shipping which led to financial crisis back in 1974 and which finally capitulated enterprises as Laker Airways was ever able to achieve such size and influence. The whole affair says much about the structure of the international banking system, and the ability of an ambitious entrepreneur to exploit it.

While the 1970s were still good in the late 1970s the entrepreneur who could insert himself between the growth-minded politicians and the eager bankers was powerfully placed. Without substantial management or markets Sir Freddie was able to order aircraft on a scale which ought to have prompted at least some of his backers to wonder where he could possibly win the passengers from and what would happen to the rest of the airline industry if he did.

Of course, the banks were not just relying on the viability of Laker Airways. They were lending on marketable assets—aircraft—which in reasonable conditions would provide adequate security for the loans. But so deep is the current world recession that even the airline industry has stopped growing. The banks have found out the hard way that their backing of Laker was much more in the nature of an equity investment than they realised.

Hulks

Rows of gaily-coloured DC-10 jetliners will now stand empty on some distant airfield, just as lines of rusting supertankers float in Norwegian fjords and, indeed, the silent hulks of half-finished chemical plants are dotted about Poland. All of them are testimony to the failure of the international banking system to link up capital with consumers and to match money with management.

As an innovator in an industry characterised by government controls and price-fixing cartels, Sir Freddie Laker brought trans-Atlantic air travel to a new public. He became probably the best-known British businessman overseas; his buccannery spirit won thousands of admirers. But like other buccannery he took enormous risks. His mistake was probably to seek to grow to such a size that the major airlines were bound to hit back hard. A man who sought to exploit the capital markets on such a huge scale has to accept the verdict of those markets. But it would be a tragedy if the spirit of innovation and the more competitive environment which Laker helped to create were to disappear along with his company.

Letters to the Editor

Local authority pay

From Mr Peter Young
Sir—The salaries of highest paid directors are fascinating, whether one is a shareholder in the organisation or not. Unfortunately similar exist in the countries of our Eastern bloc neighbours.
Of course arms control and complete nuclear disarmament are possible; indeed they are certain once it is clearly realised that nuclear war will benefit no one who remains alive, no matter their former power.
P. Cammer,
59, Sulgrave Gardens, W6

CAP humberg

From Mr John Cahill
Sir—Mr Capstick, Director of Economics and Statistics of the Ministry of Agriculture, Fisheries and Food writes on January 28 that the Ministry of Agriculture, Fisheries and Food is intensely interested in all aspects of the Common Agricultural Policy including the economic consequences for the country. This is pure bumberg. A look at the record will show that in spite of this "intense" interest MAFF has not financed much academic work on CAP or related issues. Indeed, in his letter Mr Capstick takes credit for Social Sciences Research Council financing!

It is notable over the last ten years that the leading academic organ of agricultural economists in this country, the Journal of Agricultural Economics, has had very little to say on the Common Agricultural Policy. This has considerable significance when one realises the heavy handed presence of the Ministry on agricultural economics and on related academic jobs in this country. It is not at all unreasonable to arrive at the conclusion that MAFF has not actively encouraged research on the CAP. Given its domination of funding in agricultural economic research how else can one explain the dearth of studies on the Agricultural situation in the EEC!

that most sensible post World War 1 campaign to take profits out of war? This would be a splendid, not to say vital, project to reactivate, especially as I understand that there is no weapons profiteering in the countries of our Eastern bloc neighbours.

The greater part of Ministry finance "research" is bland and non-controversial and of doubtful value that is other than showing a "research presence." The Farm Management Survey, a pre-CAP tedious arithmetical exercise, was designed to give an objectivity to the annual price review, long since gone. Commodity studies abound with the same tired formula—only the names of the commodities change.

In addition to the neglect of analysis on one position within the CAP the Ministry has virtually ignored the sponsorship of agricultural and food policy issues of importance to the country, such as: agricultural trade issues, the growth of agribusiness, farming and the environment, planning in the countryside, the collapse of the fishing industry and a host of policy problems and issues germane to this country.

It goes without saying that MAFF has no need to feel embarrassed at academic criticism. However I must query his statement that the Department's intense interest in all aspects of the Common Agricultural Policy "has involved the encouragement of studies in the Universities." In Cambridge, for example, MAFF-sponsored research on agricultural issues is wholly limited to a ministry-determined work with no scope for independent research. So much for Ministry encouragement.

John Cahill,
Agricultural Economics Unit,
Department of Land Economy,
University of Cambridge.

the effects and the sheer cost of the CAP to this nation it is quite extraordinary that the Ministry has to rely on the financially hard pressed SSRC to finance research and policy analysis on agricultural and food issues.

The core of Sargent's argument seems to be that government deficit financing, when interest rates are positive, will produce greater future deficits. This expectation of such will make investors increasingly reluctant to purchase government bonds.

If however, government debt were financed solely by index linked bonds (even with a small premium), the situation would appear quite different as their effect on future deficits will be neutral.

With fixed interest bonds inflation works to the government's advantage by reducing the real burden of redemption. With index linking the penalties for imprudent government policies leading to high inflation would be so severe as to strongly inhibit irresponsibility.

Contrarily, index linked funding would be more difficult in this situation, but sale by tender might solve this.
William Forsythe,
17, Ainslie Road,
Girvan, Ayrshire.

monetarist recantation of Professor Sargent with interest (and, because of the inordinately long sentences, with some difficulty).

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William Forsythe,
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even two or three years hence not only the level of inflation but more particularly its direction is very much an unknown quantity. The actual real return to be received on a conventional 30-year gilt over its full term is therefore largely unpredictable, and to use two-year projections as an indication of 30 years very volatile reality is sheer folly.

The debate about indexed versus conventional stocks is a debate about risk. In nominal terms a conventional stock is essentially a risk free; in real terms it is enormously volatile. For an investor the converse is true. If inflation were to average 5 per cent over the 30-year period, £1 nominal of indexed stock would be repaid for less than £5 in nominal terms; if inflation averaged 20 per cent, the amount repaid would be over £200. Either of these outcomes is certainly quite possible. The essential point is that in real terms the redemption value will be precisely £1, regardless of the rate of inflation. Similar plausible examples can obviously be produced for conventional stocks, showing large positive or negative real returns. The essential point in such examples would be that the dividends and redemption proceeds would be precisely fixed amounts in nominal terms, regardless of inflation.

The two kinds of stock are as alike as chalk and cheese, and numerical comparisons of the kind attempted are as meaningless as comparing the full length of the chalk with the rind of the cheese—before the cheese is unwrapped. Perhaps if index linked gilts could be renamed "perfect theoretical equities"...

W. G. Wherity,
22 Quarry Hill,
Haywards Heath, Sussex.

Share purchases
From Mr Douglas H. Molyneux
Sir—I remain slightly perplexed, not to say dubious, concerning the case put forward by those in favour of allowing British companies to purchase their own shares.

LAKER CALLS IN RECEIVER

The fight Sir Freddie lost

By Michael Donne and Alan Friedman



In happier times: Freddie Laker with the first DC-10 Skytrain in 1977

Fredair) in 1966, with £211,500 of his own money.

At the start, he worked quietly and steadily, building up Laker Airways in the holiday charter market, buying his own fleet of C-47s and steadily expanding it. It was the heyday of post-war expansion in world air travel and Laker prospered.

Freddie Laker began to dream of greater things—the notion of the transatlantic Skytrain was born at that time, but even he did not expect that it would take him ten years of battering at governments and the air transport establishment before he could implement his plans. It was only after a bitter battle, culminating in a legal action against the UK Government in the High Court which he won, that he was able to launch Skytrain at cut-rate fares to New York in September 1977.

The following year he received a knighthood. Since then North Atlantic air travel—and, indeed, all air travel—has never been quite the same. Skytrain expanded from New York to Los Angeles, Miami and Tampa. The fleet of DC-10 jets grew to 11, and to meet his expansion in European holiday charter markets Laker invested in the first of what was intended to be a fleet of 10 A-300 Airbus. Laker even dreamed of a globe-girdling Skytrain.

But the recession was beginning to bite with a devastating effect on other airlines. Pan American was almost brought to its knees last year and British Airways would have gone under without huge injections of taxpayers' money. Traffic became tougher to get as old rivals in the airline business stepped up their own fight against him. The most damaging anti-Laker move was by British Airways. Pan American and Trans World last

November when they cut their own Atlantic fares to match his.

By that time Sir Freddie's troubles were already making headlines. In the summer he had disclosed that the dollar-sterling exchange rate had weakened havoc with his 1981-82 budget. The problem, he said, was that on the advice of his bankers he had planned for repayment of his huge dollar borrowings at a rate of \$2.25 to the pound. He wanted his debts restructured.

What Sir Freddie did not say was that his airline, a private company in which he held a 90 per cent stake, had borrowed so much money to purchase aircraft that its borrowings represented seven times the value of its equity base.

The debt came from three sources: Laker had taken out a \$225m five-year loan in 1980 from a group of North American banks to help purchase five McDonnell Douglas DC-10 aircraft. The loan was led by Export-Import Bank, the U.S. Government-backed bank and included \$65m worth of debt guaranteed by McDonnell Douglas and \$10m guaranteed by General Electric of the U.S.

The second major syndicate, led by Midland Bank International, included 13 banks. All of its \$131m of loans was earmarked for three A-300 airbuses from Airbus Industrie, the European consortium.

The third loan syndicate was a group led by the Bank of Tokyo.

By early September, Sir Freddie's public call for debt restructuring had stimulated a series of bank syndicate meetings. The Civil Aviation Authority, mindful of its duty to monitor the finances of British airlines, had expressed its concern to Laker's bankers.

In early October, as talks continued among the bankers, the Clydesdale Bank asked its

parent—the Midland—if it had any objection to Clydesdale providing a \$5.2m bond for Laker travel companies. This bond, much larger than the previous one, was approved.

But Laker's cash flow difficulties continued to mount. Laker's account was still in credit in the autumn, but Clydesdale was soon providing Laker with a steadily increasing overdraft. The decision to approve the rising overdraft and the higher bond was taken by the Midland Bank at board level.

At the same time, in early October, Midland and the Bank of England decided jointly that Laker would require some expert financial advice in order to secure debt restructuring and possible restructuring of the airline's troubled balance sheet.

Samuel Montagu, the merchant bank which is wholly owned by Midland, was asked to advise Laker. Ian McIntosh, a managing director of Montagu, was the man who took on the Laker brief and spent the next few months, day and night, immersed in the struggle.

"At the start it was really a matter of somebody having a go," says McIntosh. "He went to work on the debt restructuring as his first priority because he felt there was an urgent need for stability. The greater the publicity, the more people got nervous about Laker bookings," he says.

In the end this factor became crucial as travel agents and the public delayed purchases of Laker tickets and payments on package holidays.

By November 4, Montagu felt confident enough to call a meeting of all the banks with Laker debt outstanding. Everyone agreed to re-schedule Laker debt except for three banks in the Midland syndicate—Dresdner Bank, Bayerische Vereinsbank and Creditanstalt Bank-

verein. The re-scheduling concept fell apart," says McIntosh. The German and Austrian banks refused to re-schedule because they reckoned that by calling in the receiver last November they would get more of their money back through the sale of aircraft than would be the case a year later.

"They decided that re-scheduling was a waste of time because the company was going to go down anyway," remembers McIntosh.

The next big plan was to bring in a "partner"—some one who would inject sorely needed cash and help stabilise the floundering airline. The need became more urgent in November as load factors dropped dramatically below Laker forecasts.

This strategy failed as well. "We've had three or four times when it looked totally bleak and that was one of them," says McIntosh.

By early December, Montagu, Laker, and the bankers were also consulting with Mr David Walker, the Bank of England's senior official in charge of industrial finance.

With the Bank of England now looking on, McIntosh approached McDonnell Douglas and General Electric, the maker of DC-10 engines.

"We approached them and said—'Look boys, you are down the canyon \$50m. Wouldn't it be better to help the situation out and hope the thing can be put right?'"

A series of intensive meetings brought together McDonnell, the bankers, British Aerospace, which has a 20 per cent stake in Airbus Industrie and the Bank of England.

Airbus Industrie, say bankers in the Midland syndicate, has been intransigent from the start. The aircraft maker, which promised to pay the Midland syndicate the first 25 per cent

of any loss on their loans, would not lift a finger beyond its contractual obligations.

The negotiators finally agreed in principle to a survival package for Laker just a few days before Christmas. The package called for \$5m of new money from McDonnell, the conversion of McDonnell and General Electric guaranteed debt (\$56m) into preference shareholdings in Laker, the re-scheduling of the airline's debt and the sale of the three airbuses.

It was all conditional, but the agreement seemed to be nearly complete. Montagu issued a statement saying that agreement had been arrived at and McIntosh went home "quite pleased" at Christmas.

"It was a real package," says McIntosh. "The Bank of England doesn't attach its name unless they are happy about it." The key condition in the agreement came from McDonnell and stipulated that there be no material deterioration in the airline's trading. But this is precisely what happened.

By the middle of last month trading had gone well and truly sour. Flights were cut back as the airline's cash flow disappeared. Clydesdale, which had increased Laker's overdraft to \$9m, was now paying salaries and petrol costs. Against an earlier forecast that 55 per cent of Laker seats would be filled, barely 40 per cent were purchased.

At the same time McDonnell's representatives began to be less enthusiastic about the rescue package, perhaps because other airline customers might have objected to "special" treatment for one of their competitors.

The winter snowstorms and current British Rail strike began hindering business. Laker's commercial creditors began pounding on the airline's doors and complaining of non-payment. Travel agents began to hold up Laker deposits.

"I'm not sure," says Sir Freddie, "but I think the package was over-optimistic. I am flying high," he declared, adding he had raised \$60m.

On Wednesday, the Civil Aviation Authority, having seen the dreadful late January trading figures, contacted Midland Bank to express its concern. McDonnell Douglas representatives in London to finalise the package, looked at the figures and said nothing.

The new calculations suggested that Laker would require far more than the \$5m in new cash McDonnell was offering as a loan. Simply in order to get through the period to March 31, the airline would have needed up to \$10m in cash.

Midland stepped in and told Clydesdale it could not extend the overdraft beyond 29th November, in London to finalise the Thursday saw a day-long meeting at Midland's group headquarters in the City. Sir Freddie was present and was shown the projections.

By yesterday morning, after a Laker board meeting which started at three in the morning, it was all over. Laker issued a dry statement announcing the appointment of a Receiver.

The battle was over and Sir Freddie had lost.

Act before March 9th Budget

Over 55?

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PERSONAL CAR IMPORTS

Why the British pay 'more' for their cars

By Kenneth Gooding, Motor Industry Correspondent

Car manufacturers are all very unscrupulous merchants, excellent at ripping off the British public...

their UK importers considerable sums to put every model through these tests. The manufacturer or distributor...



HOW CAR PRICES COMPARE - NET OF TAX

Table with columns: Make and Model, DK, LUX, B, NL, WG, F, IRL, UK. Lists various car models and their prices in different currencies.

What the market will bear

INSULATED by the Channel, British car manufacturers set the pace with comparatively high car prices in the 1980s...

1979 and 1980 mainly went up in line with inflation. As the big gap between British and Continental prices became common knowledge...

These comments, chosen at random from the many letters I have received on the subject, show how angry some people have become about the large difference in prices for new cars in Britain and on the Continent.

Mr Michael Herbert bought a Mercedes in Germany for about two-thirds of the tax-free British price. He had no difficulty bringing the car through Customs at Dover...

in some markets—like Belgium—that it is worth paying the local VAT, then UK duty and tax on top.

coming into Britain without having to prove they conformed to UK-type approval and safety standards.

people genuinely making a change of residence, for whom it was provided," said Mr Howell.

Even so, the differential between the UK and other Continental countries was not all that large until the end of the 1970s when sterling became a petro-currency and stopped reflecting Britain's inflation rate...

Mr Thompson provided a practical illustration, taking as his example Ford's German-built Granada. "If we priced the Granada models the same as in Germany we would end up with a Granada which was cheaper than a British-built (smaller) Cortina."

summers' organisation, the Bureau Européen des Unions de Consommateurs (BEUC), pointed out that prices before tax in Denmark are 30 per cent less than in Belgium...

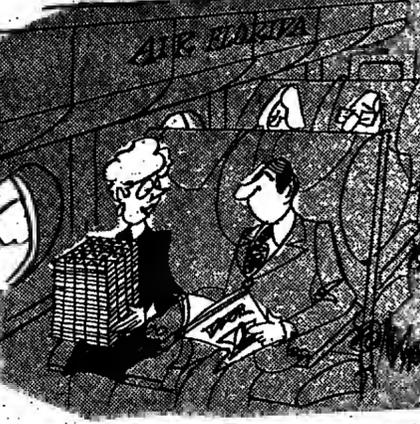
New the European Commission has produced a draft regulation which would attempt to limit the difference in before-tax prices to no more than 15 per cent between the least and most expensive EEC markets.

Weekend Brief

There's still gold in Alaska

As Sir Freddie Laker fought his 'lucky' battle in London to keep his airline alive, it has become generally impossible to fly anywhere in the U.S. without getting something for free.

The bribes U.S. airlines use to fill empty seats... What it's like to be an editor in South Africa... A guide to avalanches



"I didn't want to fly to Anchorage—I'm only here for the Green Shield Stamps"

new goodies for their passengers. Discounts, free tickets if you fly more than a certain number of miles on any one carrier...

ing Air Florida" or "I got this Spalding Racket by flying Air Florida." Air Florida has taken the concept one step further.

Treading through a South African minefield

IT WAS A dangerous week for South Africa's journalists, beginning with the 1,400 pages of the Steyn Commission on the mass media and ending with the Prime Minister shouting at a group of the English-language editors that they were "enemies of the State."

throughout the western world. But even without Steyn, South African editors describe their lives as walking blindfold through a minefield.

Press the legal obstacle course is far from the only problem. The fate of the most famous of South Africa's liberal papers—the Rand Daily Mail—hangs in the balance with the appointment of the third editor in a year...

Whys and wherefores of avalanches

Death comes quickly in the mountains. Each winter holidaymakers are caught unawares as they ski blissfully away from the fixed runs, little realising that a small avalanche can send them hurtling in a bone-breaking cascade down the slope...

The snow in the Salzburg area of Austria where the latest tragedy has occurred has been particularly heavy. For classic avalanche material, several days before the incident there was heavy rain...

Problems come when any particular layer is too thick and not bonded to the layer beneath. The snow of the past few weeks has been falling in rather high temperatures than those of December and early January.

TODAY: President Mubarak of Egypt starts two-day visit including talks with Mrs Thatcher.

TOMORROW: Aslef train drivers strike. International Spring Fair at the National Exhibition Centre, Birmingham (to February 11); UN conference on heavy crude and tar to Caracas (to February 17).

MONDAY: Provisional wholesale price index figures for January. Final December retail sales, hire purchase and other instalment credit business for December. Lords debate EEC directive dealing with the annual accounts of banks and other financial institutions. Central Bank Governors meet-

Economic Diary

markets in 1982 at Inter-Continental Hotel, W.I (to February 10). Gas manual workers pay talks resume. Aslef train drivers strike. Mr Norman Tebbit, Employment Secretary, attends Electrical Contractors' annual dinner at Grosvenor House, W.I. CBI issues Budget recommendations. WEDNESDAY: Lords debate local rates. TUC economic committee meets. THURSDAY: Aslef train drivers strike. EEC textile council meets in Brussels. Commons debates overseas development. Second 1982



PERPETUAL GROUP WORLDWIDE RECOVERY FUND

Advertisement for Perpetual Group Worldwide Recovery Fund. Includes text: 'A chance to be in the right investments as the climate changes.' and 'The world in general is currently experiencing a very deep trade recession. In our opinion investments made now in depressed shares worldwide offer outstanding growth prospects.'

Application form for Perpetual Group Worldwide Recovery Fund. Includes fields for name, address, signature, and investment amount.

UK COMPANY NEWS

Companies and Markets

'Beneficial change' at Smith St Aubyn

SMITH ST AUBYN, the discount house which lost nearly £20m on its gilt-edged operations last year, says that there has been a "material beneficial change" in the company's position and an unaudited assessment as at January 20 1982 indicated that there was no longer any loss of share capital.

Mr Jeremy Smith, the chairman, told shareholders at yesterday's extraordinary general meeting that "if this situation continues, the company may well be in a position, after the adoption of the audited accounts for the year ending April 5 1982 to pay the dividends on the company's preference shares."

The company announced last month that it was having a one-for-one rights issue to raise £2.6m following the disclosure that its losses on its gilt-edged operations had extinguished the group's inner and published reserves.

Smith St Aubyn has been one of the fastest-growing discount houses in recent years, but came badly unstuck in the gilt-edged market last year when it made the "wrong assessment" about short-term interest rate movements.

A number of shareholders were critical of Smith St Aubyn's management at yesterday's extraordinary general meeting called to increase the authorised share capital. However, both motions were carried and Mr Smith had proxies covering 1.1m shares in his favour.

He said that a management re-organisation was being undertaken. However, there would be no board resignations. Smith St Aubyn's shares rose 6p to 48p yesterday after touching 56p.

African Lakes falls to £0.4m

LOSSES MADE by the advertising subsidiary of the African Lakes Corporation and reduced profits from its Malawi operations, caused the share price to fall from £77.943 to £44.496 in the year to July 31 1981. Turnover for the 12 months dropped from £10.01m to £9.52m.

At the half-year stage, the pre-tax profits of this group, which operates as a trader and planter of tea, rubber and other crops, and is engaged in general trading, the motor industry and advertising, were £22,771 (£218,487) and turnover stood at £5.01m (£4.51m).

The year's single dividend is being increased from an adjusted 1p net per 25p share to 1.1p—last year there was a one-for-one scrip issue. Stated earnings per share for the 12 months under review fell from 7.48p to 3.66p.

The directors say that the reduced profits from the Malawi operations resulted from adverse economic circumstances and an unfavourable exchange rate.

Taxable profits included a share from associates of £32,875 (£81,411). Tax took £134,248 (£261,248) and after debits for minorities of £163,946 (£198,294) and for extraordinary items of £31,488 (£nil) the attributable profits emerged at £121,812 (£313,401).

The extraordinary items consist of: (a) the group's share of a write-down in the value of an investment in Malawi; and (b) the group's share of a deficit arising from the revaluation of freehold property and farms owned in Zimbabwe by an associate.

Drayton Far Eastern slips to £152,800

ALTHOUGH tax was down from £37,905 to £131,511, net revenue from Drayton Far Eastern Trust fell from £228,338 to £152,321 in 1981.

The final dividend is unchanged at 0.8375p for a same-again total of 1.2375p. Net asset value per 25p share improved from 79p to 81.5p.

The directors point out that the final dividend is being maintained on capital increased by the rights issue. The company's investment policy is aimed primarily at achieving maximum capital growth and in view of low yields on most Far Eastern stocks, no assurances can be given that the level of dividends will be maintained in later years.

Upturn seen by Arthur Guinness

The annual meeting of Arthur Guinness Son & Co, the brewer, heard Mr Simon Lennox-Boyd, deputy chairman of the company, offering reassurance that "the benefits of the actions we have taken are starting to come through."

Mr Lennox-Boyd, who spoke in the absence of the Earl of Iveagh, the chairman, added that "profits in 1982 ought to recover from last year's level to a more satisfactory figure"—provided that demand for the company's product was not "unreasonably affected" by budgets in its main operating countries.

Assoc. Fisheries recovers to £2m

RATIONALISATION measures taken by Associated Fisheries during 1979-80 have largely averted a recurrence of that year's heavy losses in the 12 months to September 30 1981, and the group's financial costs were reduced by a conservative approach to capital expenditure and working capital, the directors say.

Taxable profits of this group—which is involved in operating and managing fishing vessels, fish and other food processing, and importing, exporting and wholesaling fish products—recovered during the year from £8,000 to £2m. Turnover however was lower at £82.64m compared with £88.63m.

Interest charges (less other income) fell substantially from £534,000 to £69,000.

With earnings per 25p share stated higher at 7.55p (7.4p) the final dividend is being raised to 1.75p net making a total of 3p (1p).

The directors say that it is not yet possible to predict the outcome of the current financial year, which will largely depend on the general level of economic activity and the extent to which the prevailing difficulties of the group's inner and published reserves.

Shortage of new Government contracts, says ML Holdings

A MODEST increase from £442,247 to £453,488 in pre-tax profits is reported by ML Holdings, manufacturing engineer, for the half year to September 30 1981. Turnover rose from £12.41m to £12.93m. The interim dividend is unchanged at 2p—last year's total was 7p.

Mr Ralph Price, the chairman, says the production outlook for the defence business is fairly satisfactory but there is a shortage of new Government defence contracts.

He says the signalling systems business has been heavily affected by the British Rail decision to order the company's track circuits but an over-dependence on exports still remains. The foundry, during the period under review, has

DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date of payment, Corres. Div. year, Total last year. Includes African Lakes, Assoc. Fisheries, Dr F. Bevan, etc.

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues.

group's trailing interests are controllable.

During the 12 months under review the fishing industry was exposed to continued unresolved external problems and the group's trailing interests would have made further very substantial trading losses if Government support had not been received.

The taxable profits included losses of associated companies of £108,000 (£202,000). There was a tax credit of £1,02m (£884,000) which incorporates a

credit of £1.62m arising from the release of deferred tax for stock relief. Had this release been included in the earnings per share figure the directors say earnings would have amounted to 17.06p.

After credits for minorities of £2,000 (£19,000) and extraordinary items of £123,000 (£132,000) the attributable profits emerged at £3.15m (£840,000). Dividends absorbed £277,000 (£202,000), including £37,000 (same) preference distributions, leaving £2.77m

(£338,000) to be transferred to reserves. Current cost adjustments reduced the taxable profits to £276,000.

comment: Associated Fisheries is withholding the explanation of its spectacular second-half profits recovery for the publication of its annual report and accounts. But it looks as if the main factor has been loss reduction in food processing and fishing, the latter helped substantially by Government grants of more than £0.9m. The group has also been very successful in its efforts to trim working capital and capital spending. There was net investment income of £181,000 in the second half compared with a net charge of about the same amount in the previous period.

Portsmouth Sunderland up £0.1m

PRE-TAX PROFITS of Portsmouth and Sunderland Newspapers rose marginally from £2.34m to £2.44m for the 39 weeks ended December 26 1981. Comparative figures, however, were affected by an estimated loss of £0.5m caused by a national dispute.

At the half way stage, pre-tax profits were virtually unchanged at £1.31m (£1.3m).

Turnover for the 39 weeks of this newspaper proprietor and publisher increased from £16.25m to £16.66m. Taxable profits included lower investment income of £36,000 (£193,000) but higher interest receivable of £487,000 (£348,000).

Tax charge increased from £740,000 to £807,000 and was reduced by a transfer from deferred tax of £263,000 (£450,000) which the directors consider, having assessed future capital expenditure, is not now necessary.

After deducting extraordinary items of £96,000 (£46,000) for goodwill written off to the purchase of shops, attributable profits came through at £1.54m, compared with £1.56m.

Stated earnings per 25p share, before extraordinary items, were ahead by 0.3p to 13.6p.

In current cost terms, profits before tax were £1.55m (£1.53m).

Improvement by Glasgow Stockholders

Net revenue of Glasgow Stockholders Trust improved from £246,610 to £268,102 in the year to December 31 1981. The year end net total was after tax of £326,821 (£269,866). Gross revenue increased from £1.18m to £1.35m. Stated earnings per 25p share unit were higher at 2.68p (2.4p).

The final dividend is effectively raised from 1.25p to 1.4p for a total of 2.35p (2.125p adjusted). Dividends absorbed £335,836 (£285,940). Net asset value per 25p share, adjusted for the rights and scrip issues, were 6.44p (5.66p).

The interim dividend is effectively higher at 1p net (adjusted 0.625p), costing £90,362 (£42,310), and the directors confirm that they intend to recommend a final 2p per share for the current year ending June 30 1982. Last year, payments were made equivalent to 3p on £1.05m pre-tax profits.

Progress at British American

Pre-tax revenue of British American and General Trust rose by £48,656 to £198,538 for 1981. Gross investment income improved from £1.96m to £2.16m, after deducting commission and deposit interest accounted for £100,660 compared with £179,390.

The pre-tax figure was struck after management and general expenses totalling £147,432 (£142,481) and loan stock and other interest charges of £2,107 (£8,402). After tax down from £790,892 to £728,398 and preference dividends of £31,041 (same), net earnings for the year showed a slight improvement at £1.3m (£1.28m) which is equivalent to 2.59p (2.52p) per ordinary stock unit.

The final dividend is raised from 1.425p to an increased total of 1.5p (2.35p). Dividends absorbed £129m (£118m). At the year end net assets stood at £34.91m (£32,03m), equivalent to 68.8p (63.9p) per ordinary stock unit.

ALLIED SUPPLIERS

Allied Suppliers (Holdings) has passed a resolution not to re-register as a public company. The Companies Act gives to the holders of not less than 5 per cent of the nominal value of any class of the company's issued share capital, or to not less than 50 of the company's members, the right to apply to the court, within 28 days of the passing of the resolution, for the resolution to be cancelled.

Table with columns: Company, Price, % or +, -

(£438,000) to be transferred to reserves.

comment: Associated Fisheries is withholding the explanation of its spectacular second-half profits recovery for the publication of its annual report and accounts. But it looks as if the main factor has been loss reduction in food processing and fishing, the latter helped substantially by Government grants of more than £0.9m. The group has also been very successful in its efforts to trim working capital and capital spending. There was net investment income of £181,000 in the second half compared with a net charge of about the same amount in the previous period.

The shares gained 4p yesterday to 74p, while the fully taxed p/e is over 13. The company is still cautious about any settlement of the EEC fishing policy dispute but the doubled dividend, which is uncovered on a current cost basis before the tax credit, suggests some optimism about prospects for this year.

Dr Jerry Nims, one of the founders and now the chairman of Nimslo International, the group which is developing the controversial new 3-D camera, has spent some £2m on buying back 23 per cent of the company in order to underline his continuing commitment to it.

In November 1980, Nimslo Technology Inc., a company in which Dr Nims had 46 per cent and which held the rights to the basic technology, sold out to a Bermuda based group finally called Nimslo Technology.

NIT is owned by subsidiaries of Fred Olsen, which has links with Timex, now manufacturing the camera, several European organisations and a charitable foundation of which Dr Nims is a director.

Dr Nims retained only 1 share in Nimslo International in which NIT owned 75 per cent following the reorganisation last November.

Details of the 1980 share sale only came to light in last November's prospectus for Nimslo International's stock market debut.

Dr Nims was criticised in some quarters for having sold all his shares — at an undisclosed price — while inviting new shareholders to take a considerable risk in taking up the new shares.

Yesterday Dr Nims confirmed that the criticism persuaded him to buy a sufficient stake so that "the last thing anyone could say again was that I don't have an intense personal interest in the group."

The shares, some 2.5m of which have been acquired by Dr Nims with Mr L. Allen taking up £50,000 and Mr B. Davison 100,000, have come from Nimslo Technology. This reduces NIT's stake in Nimslo

International to about 72.3 per cent. The share price was not disclosed but Dr Nims said that it was related to the market price which yesterday rose by 5p to 180p. He and the other two men will also need to get the approval of the shareholders of NIT before they can sell on.

Dr Nims also complained yesterday that the original sale of his interest in Nimslo Technology Inc had been misunderstood. He had done it to "align the technology with a major group which would be unaffected by the vagaries of inflation and the stock market. The cash I received was secondary to the need to ensure the future success of the company," he said.

Price offer for Williams unconditional

C. PRICE AND SON'S offer for 51 per cent of Williams and Sons Holdings has been declared unconditional and will remain open for acceptance, subject to signing down, until February 22 1982. The basis of the scaling down will be announced by 8.30 am on February 23.

Price and Williams will endeavour to maintain the lighting on the stock exchange for the shares in Williams. Consequently, shareholders should be able to deal in the shares which they continue to hold.

The making of the offer has been approved by shareholders holding in excess of 50 per cent of the voting rights of Williams and the offer will not be referred to the Monopolies and Mergers Commission.

MINING NEWS

Straits Trading's stake in Pengkalen changes hands

THE PATTERN of changes in the ownership structure of Malaysian tin-producing companies continued yesterday with the news that Straits Trading has sold its 26 per cent stake in the London-registered Pengkalen for M39.4m (£2.24m).

Straits Trading, which is part of the Oversea-Chinese Banking Corporation group, recently sold its interests in two other Malaysian producers listed in Kuala Lumpur and London, Renong Tin Dressing and Idris Hydraulic Tin.

The identity of the buyer of the Pengkalen holding is concealed behind the Malaysian company Aman Noidin. Pengkalen, a member of the Gopeng group of tin producers, said towards the end of last year that its reserves could only be worked profitably for another two or three months.

Gopeng itself was in a similar position until this week's announcement of a deal with the

Perak state government which will renew its mining licences and assist in the procurement of further mining titles in return for a 30 per cent stake. Pengkalen has been the subject of speculative buying in the Far East in recent weeks, on rumours of a takeover, possibly in line with the solution Gopeng has worked out for itself with the regional authorities.

The shares gained 90p to 450p in London yesterday.

Mary Kathleen to close early

THE Rio Tinto-Zinc group's Mary Kathleen uranium mine in north-western Queensland is to close in September this year, instead of in mid-1983 as previously expected.

RTZ said yesterday that by the end of September, enough uranium oxide should have been mined to meet existing contracts. The operation's treatment plant will remain open until the end

of the year, and uranium will be stockpiled to meet contractual obligations running to 1984. The company said that the uranium left in the ground and in low-grade stockpiles after closure will not be sufficient to enable Mary Kathleen to negotiate sales at prices which would allow it to continue to operate profitably.

Mary Kathleen has been producing at a rate of around 800 tonnes a year since 1976. Sales contracts had been agreed for a total of 4,500 tonnes out of estimated reserves of around 8,000 tonnes, and the operators hoped to be able to arrange the sale of the remainder.

It now seems clear that they have not been able to do so, nor has the recently expanded export programme uncovered economically significant mineralisation.

BIDS AND DEALS Jerry Nims spends £4m to buy back stake in Nimslo

BY CHRISTINE MOIR

Dr Jerry Nims, one of the founders and now the chairman of Nimslo International, the group which is developing the controversial new 3-D camera, has spent some £2m on buying back 23 per cent of the company in order to underline his continuing commitment to it.

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RESULTS DUE NEXT WEEK

The market forecast of about £90m pre-tax when Imperial reports on Thursday, though 28 per cent down on last year, represents an improvement on the second half of last year. Howard Johnson should have paid for itself in the seasonally better half. Courage has increased market share and volume, benefiting from the new brewery.

The poultry division is still suffering from over-supply, but egg prices have held up well. Cigarette market share is thought to have slipped under 50 per cent with Imperial leading the price rises and concentrating on margins. Costs have been cut, with about 1,200 redundancies, though the company denies that it will close one of its cigarette factories. Feeling has hardened that the dividend will be maintained, which would give a yield of about 14 per cent.

Lomha profits were down 18 per cent to £40.7m at the interim stage and the negative forces then at work remain prominent.

The recent turbulence in the aerospace sector could clip back Dowty's wings this year. Predictions for the interim figures, due on Thursday for the six months ended September, range from £18m to £21m against £18m last time. The bears see some slippage in aerospace margins, while their opposites see slight improvement throughout the group. For the full year predictions range from £33m to £38m against £38m last year.

The effects of the Tornado slow-down are likely to fall hardest in the second half but again the market is undecided on how hard. There is likely to be some improvement in mining which slumped heavily last year. The shares have been decreasing for some time—they are now more than 50 per cent below their level six months ago—reflecting a widespread belief that profits could be flat for another year or two at least. The dividend is expected to be at least maintained.

BOC International reports on its first quarter, this Wednesday.

At such an early stage of the game there is not a lot that brokers can say about the full year although their venture estimates in the range from £110m to £120m. The first three months are considered to be a still more difficult proposition, and since forecasts vary between £17m and £30m before tax (against £14.6m last year) caution seems to be justified.

The more optimistic line depends on a decent advance in the UK—based on last year's exceptional write off this time—and a degree of stability in the U.S. Moreover, Australia and South Africa should be slightly ahead, though with less help this time from currency movements. But thanks to the U.S. slowdown, there is also a more defensive view, assuming tough times in graphite and to some extent—in the industrial gas market.

Others to report next week include the Securitor-Security Services combine (finals on Wednesday) and Mining Supplies (interim Thursday).

N. American purchase by DRG

BY CHRISTINE MOIR

DRG, THE Dickinson Robinson packaging and stationary group, is expanding its U.S. operations with the acquisition of a flexible packaging manufacturer for \$8.75m (£5.2m).

DRG—which laid off some 3,000 of its workforce last September—following a pre-tax write-off of £4.7m in the first half of 1981—is acquiring the Formid Company of Madison, Wisconsin.

Formid, whose development has been based on providing a service to the North American health care industry, has achieved a growth rate of 25 per cent per annum for the past five years. In 1981, its sales reached \$8m (£4.3m).

The acquisition represents a strategic expansion of DRG's position as a supplier of sterilisable medical packaging worldwide. Formid has been merged with DRG's existing marketing operation, DRG Medical Packaging, based in Hackensack, New Jersey, under which name it will now trade.

DRG says it intends to commit new capital investment and the full support of its technological resources to expand its medical packaging range in the U.S. and provide a better service to customers.

Merchandise and Investment Trust, a wholly-owned subsidiary of Hambros, the banking group, has sold on its 9.7 per cent shareholding in Mills and Allen International to Hambros Investment Trust, in which the bank has a 13 per cent stake.

SHARE STAKES: Pengkalen—Straits Trading has sold its entire holding of 423,517 ordinary shares.

Marks and Spencer—150,000 ordinary shares in which Mr Michael M. Sacher, director, had a beneficial interest, have been sold.

MINING NEWS: Straits Trading's stake in Pengkalen changes hands

Mary Kathleen to close early

THE Rio Tinto-Zinc group's Mary Kathleen uranium mine in north-western Queensland is to close in September this year, instead of in mid-1983 as previously expected.

RTZ said yesterday that by the end of September, enough uranium oxide should have been mined to meet existing contracts. The operation's treatment plant will remain open until the end

of the year, and uranium will be stockpiled to meet contractual obligations running to 1984. The company said that the uranium left in the ground and in low-grade stockpiles after closure will not be sufficient to enable Mary Kathleen to negotiate sales at prices which would allow it to continue to operate profitably.

Mary Kathleen has been producing at a rate of around 800 tonnes a year since 1976. Sales contracts had been agreed for a total of 4,500 tonnes out of estimated reserves of around 8,000 tonnes, and the operators hoped to be able to arrange the sale of the remainder.

It now seems clear that they have not been able to do so, nor has the recently expanded export programme uncovered economically significant mineralisation.

Others to report next week include the Securitor-Security Services combine (finals on Wednesday) and Mining Supplies (interim Thursday).

RESULTS DUE NEXT WEEK

The market forecast of about £90m pre-tax when Imperial reports on Thursday, though 28 per cent down on last year, represents an improvement on the second half of last year. Howard Johnson should have paid for itself in the seasonally better half. Courage has increased market share and volume, benefiting from the new brewery.

The poultry division is still suffering from over-supply, but egg prices have held up well. Cigarette market share is thought to have slipped under 50 per cent with Imperial leading the price rises and concentrating on margins. Costs have been cut, with about 1,200 redundancies, though the company denies that it will close one of its cigarette factories. Feeling has hardened that the dividend will be maintained, which would give a yield of about 14 per cent.

Lomha profits were down 18 per cent to £40.7m at the interim stage and the negative forces then at work remain prominent.

The recent turbulence in the aerospace sector could clip back Dowty's wings this year. Predictions for the interim figures, due on Thursday for the six months ended September, range from £18m to £21m against £18m last time. The bears see some slippage in aerospace margins, while their opposites see slight improvement throughout the group. For the full year predictions range from £33m to £38m against £38m last year.

The effects of the Tornado slow-down are likely to fall hardest in the second half but again the market is undecided on how hard. There is likely to be some improvement in mining which slumped heavily last year. The shares have been decreasing for some time—they are now more than 50 per cent below their level six months ago—reflecting a widespread belief that profits could be flat for another year or two at least. The dividend is expected to be at least maintained.

BOC International reports on its first quarter, this Wednesday.

At such an early stage of the game there is not a lot that brokers can say about the full year although their venture estimates in the range from £110m to £120m. The first three months are considered to be a still more difficult proposition, and since forecasts vary between £17m and £30m before tax (against £14.6m last year) caution seems to be justified.

The more optimistic line depends on a decent advance in the UK—based on last year's exceptional write off this time—and a degree of stability in the U.S. Moreover, Australia and South Africa should be slightly ahead, though with less help this time from currency movements. But thanks to the U.S. slowdown, there is also a more defensive view, assuming tough times in graphite and to some extent—in the industrial gas market.

Others to report next week include the Securitor-Security Services combine (finals on Wednesday) and Mining Supplies (interim Thursday).

RESULTS DUE NEXT WEEK

Company, Dividend (p), Last year, Final, This year

Table with columns: Company, Dividend (p), Last year, Final, This year. Includes Aeronaut Bros, Associated Consumer Electronics, Ashley Industrial Trust, etc.

INTERIM FIGURES: BOC International, Wednesdays; Meth Bros, Thursdays; Mining Supplies, Thursdays

Dividends are shown net pence per share and adjusted for any intervening issues. † First quarter figures.

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Financial Times Saturday February 6 1982. A large table listing various companies and their share prices, organized into columns and rows.

FT UNIT TRUST INFORMATION SERVICE

FT UNIT TRUST INFORMATION SERVICE. A detailed table listing various unit trusts, their managers, and performance metrics.

RULE 163 (1) (e)

Bargains marked in securities which are quoted or listed on an Overseas Stock Exchange.

MONEY MARKETS

London clearing bank base lending rates 14 per cent (since January 25). Day in day credit was in short supply in the London money market...

EXCHANGES AND BULLION

The dollar was slightly firmer in currency markets yesterday. Trading was rather restricted ahead of the latest set of U.S. money supply figures...

GOLD

Gold closed at \$344.10 down \$1 an ounce. The dollar was slightly firmer in currency markets yesterday...

THE POUND SPOT AND FORWARD

Table showing pound spot and forward rates for various currencies and time periods.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies including the US Dollar, British Pound, and others.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies and maturities.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various currencies.

LONDON MONEY RATES

Table showing London money rates for various currencies and maturities.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies and their respective indices.

OTHER CURRENCIES

Table showing other currencies and their respective rates and movements.

UK CONVERTIBLE STOCKS

Table showing UK convertible stocks and their respective prices and yields.

NOTES

Notes section providing additional information and commentary on the market.

UK CONVERTIBLE STOCKS 6/2/82

Table showing UK convertible stocks for the date 6/2/82.

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UK CONVERTIBLE STOCKS 6/2/82

Table showing UK convertible stocks for the date 6/2/82.

Additional notes and information regarding the UK convertible stocks.

Interest rate hopes continue to support Gilt-edged Equity leaders close volatile week on rising note

Account Dealing Dates

Option "First Declares Last Account Dealings Dates... Jan 25 Feb 11 Feb 12 Feb 23 Feb 15 Feb 25 Feb 26 Mar 8 Mar 1 Mar 11 Mar 12 Mar 22

unsecured loan stock 2002/07 got off to a fairly bright start at 2 pm. opening at a 22 premium over the issue price of £100, 225 paid, and touching £21 premium before closing at £11 premium.



curbacks at the Lucas factory complex in Burnley, aerospace issues took on a firmer stance. Lucas ended a net penny since.

to record a fall on the week of 14 at 51p. Still buoyed by the excellent trading report from its Brazilian subsidiary.

Pengkalen jump

Mining markets ended a generally subdued week on a quietly firm note with the sector as a whole featured by developments in Tins.

Oils unsettled

Late sentiment in Oils was given a fresh jolt by the afternoon's announcement from ENOC of a reduction of \$1.50 per barrel in oil prices.

Bowater good

Press comment highlighting the group's substantial asset backing attracted buyers to Bowater which closed 9 up at 237p.

Continuing stock shortages hindered business, but sufficient funds were invested to take longer-dated Gilts up 1/2 and to raise the shorts by 1/2 places.

Leading shares delisted initially, but improved to end at the session's best. The collapse of Laker Airlines had little impact although other package-holiday concerns responded to the prospect of picking up increased bookings.

Midland dip and rally

The early announcement that its subsidiary Clydesdale Bank had appointed a receiver and manager to the collapsed Laker Airlines prompted nervousness in Midland, which fell to 325p before rallying to close only a penny cheaper on balance at 337p.

Breweries ended with modest gains although business again left much to be desired. Bass, 22 1/2, and Whitbread, 10 1/2, added 4 and 3 respectively, but Greenall Whitley became unsettled following the chairman's gloomy statement at 10.15 p.m.'s AGM and shed 4 to 139p.

Among the occasional movements in Buildings, Y. J. Lovell firm 8 to 280p on consideration of the £3.6m rights and scrip issue proposals, but UBM shed 4 to 56p following adverse press comment.

Amstrad up again

Amstrad continued a firm counter among secondary Electricals, rising 10 for a gain on the week of 30 to 230p following interim results. Investment con-

ment also prompted improvements of 8 and 10 respectively in Sound Diffusion, 7 1/2, and Lee Refrigeration, 24 1/2. Still reflecting hopes of an eventual full-scale offer from Tyc Laboratories of the U.S., which already owns a near-30 per cent stake in the company, Muirhead added 4 1/2 to 134p.

A slow day's trading in the Engineering leaders left quotations with small mixed movements at the close. Elsewhere, bid speculation prompted renewed firmness in F. H. Lloyd, which advanced 4 1/2 more to 44 1/2.

Stores traded quietly but the undertone remained relatively firm. Debenhams featured with a gain of 3 to 84p, helped by rumours of a broker's bullish circular. Gussies A. doll of late, rallied a few pence to 49 1/2.

FT-ACTUARIES SHARE INDICES

Table with columns: Index, High, Low, 1981/82, Since Completion. Lists various equity groups and sub-sections.

FIXED INTEREST

AVERAGE GROSS REDEMPTION YIELDS

Table with columns: Issue Date, Yield, Maturity. Lists various fixed interest instruments.

PRICE INDICES

Table with columns: Index, Feb 5, Feb 4, Feb 3, Feb 2, Feb 1, Year ago. Lists various price indices.

Equity section of group

Table with columns: Base date, Base value. Lists equity section values for various groups.

Other Industrial Materials

Table with columns: Base date, Base value. Lists other industrial materials values.

Other Consumer

Table with columns: Base date, Base value. Lists other consumer values.

Health/Household Prods.

Table with columns: Base date, Base value. Lists health/household products values.

Other Groups

Table with columns: Base date, Base value. Lists other groups values.

Engineering Contractors

Table with columns: Base date, Base value. Lists engineering contractors values.

Mechanical Engineering

Table with columns: Base date, Base value. Lists mechanical engineering values.

Office Equipment

Table with columns: Base date, Base value. Lists office equipment values.

Industrial Group

Table with columns: Base date, Base value. Lists industrial group values.

Other Financial

Table with columns: Base date, Base value. Lists other financial values.

Food Manufacturing

Table with columns: Base date, Base value. Lists food manufacturing values.

Retailing

Table with columns: Base date, Base value. Lists retailing values.

Insurance Brokers

Table with columns: Base date, Base value. Lists insurance brokers values.

Mining Finance

Table with columns: Base date, Base value. Lists mining finance values.

All Other

Table with columns: Base date, Base value. Lists all other values.

Preference

Table with columns: Base date, Base value. Lists preference values.

Equity section of group

Table with columns: Base date, Base value. Lists equity section values for various groups.

Other Financial

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Mining Finance

Table with columns: Base date, Base value. Lists mining finance values.

RISES AND FALLS

Percentage changes since December 31 1981 based on Thursday, January 4 1982.

Table with columns: Rise, Fall, Same. Lists percentage changes for various categories.

LEADERS AND LAGGARDS

Percentage changes since December 31 1981 based on Thursday, January 4 1982.

Table with columns: Rise, Fall, Same. Lists percentage changes for various categories.

RECENT ISSUES

Issue Price, Amount, Date, etc. Lists recent issues.

Table with columns: Issue Price, Amount, Date, etc. Lists recent issues.

FIXED INTEREST STOCKS

Issue Price, Amount, Date, etc. Lists fixed interest stocks.

Table with columns: Issue Price, Amount, Date, etc. Lists fixed interest stocks.

"RIGHTS" OFFERS

Issue Price, Amount, Date, etc. Lists rights offers.

Table with columns: Issue Price, Amount, Date, etc. Lists rights offers.

FINANCIAL TIMES STOCK INDICES

Table with columns: Index, Feb 5, Feb 4, Feb 3, Feb 2, Feb 1, Year ago. Lists various stock indices.

HIGHS AND LOWS

Govt. Secs., Fixed Int., Ind. Ord., Gold Mines, etc. Lists high and low prices.

Table with columns: High, Low. Lists high and low prices.

S.E. ACTIVITY

Govt. Secs., Fixed Int., Ind. Ord., Gold Mines, etc. Lists S.E. activity.

Table with columns: Govt. Secs., Fixed Int., Ind. Ord., Gold Mines, etc. Lists S.E. activity.

NEW HIGHS AND LOWS FOR 1981/2

The following companies in the Share Information Service yesterday attained new Highs and Lows for 1981-82.

Table with columns: New Highs (80), New Lows (10). Lists new highs and lows.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Table with columns: Stock, Closing price, Day's change. Lists active stocks.

THURSDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List.

Table with columns: Stock, Thursday's closing price, Change. Lists Thursday's active stocks.

5-DAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday.

Table with columns: Stock, Thursday's closing price, Change. Lists 5-day active stocks.

LONDON TRADED OPTIONS

Feb. 6 Total Contracts 1,510. Calls 955. Puts 555.

Table with columns: Option, Expiry, Closing offer, Vol., etc. Lists London traded options.

OPTIONS

First Last Deal Declared Settlement included Ladbrokes, Barker and Dobson, Raglan Properties, Eofs, Smith St Aubyn, Associated Fisheries, John Brown, Turiff Construction, European Ferries, Woodside and Robinson, national, Pats were taken out in GKN and Ultramar, while a double was arranged in E.O.

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هكمان النهر

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock price, price change, and volume.

LEISURE

Table of leisure stocks including companies like British Skyways, British Telecom, and British Airways.

PROPERTY—Continued

Table of property stocks including companies like British Land, Granada, and Granada Television.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Venture, British Venture, and British Venture.

OIL AND GAS—Continued

Table of oil and gas stocks including companies like British Petroleum, Shell, and ICI.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Leyland, British Aerospace, and British Aerospace.

SHIPPING

Table of shipping stocks including companies like British Overseas Airways, British Overseas Airways, and British Overseas Airways.

SHOES AND LEATHER

Table of shoes and leather stocks including companies like British Leather, British Leather, and British Leather.

SOUTH AFRICANS

Table of South African stocks including companies like Anglo American, Anglo American, and Anglo American.

TEXTILES

Table of textile stocks including companies like British Textiles, British Textiles, and British Textiles.

TOBACCO

Table of tobacco stocks including companies like British American Tobacco, British American Tobacco, and British American Tobacco.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Trust, British Trust, and British Trust.

PROPERTY

Table of property stocks including companies like British Land, British Land, and British Land.

INSURANCE

Table of insurance stocks including companies like British Insurance, British Insurance, and British Insurance.

Hill Samuel Unit Trusts advertisement with logo and contact information: 45 BEECH STREET, EC2P 2LX. TEL: 01-628 8011 EXT: 2772.

MINES—Continued

Table of mine stocks including companies like Anglo American, Anglo American, and Anglo American.

OVERSEAS TRADERS

Table of overseas trader stocks including companies like Anglo American, Anglo American, and Anglo American.

RUBBERS AND SISALS

Table of rubber and sisal stocks including companies like Anglo American, Anglo American, and Anglo American.

TEAS

Table of tea stocks including companies like Anglo American, Anglo American, and Anglo American.

MINES

Table of mine stocks including companies like Anglo American, Anglo American, and Anglo American.

REGIONAL MARKETS

Table of regional market data for various countries including Australia, New Zealand, and Hong Kong.

OPTIONS

Table of options data including 3-month call rates for various stocks.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks including companies like Anglo American, Anglo American, and Anglo American.

Notes and disclaimer text regarding the accuracy of the data and the responsibility of the publisher.

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MAN IN THE NEWS

Changing the pilot at MSC

BY JOHN ELLIOTT

A RIGHT-WING property developer who has spent the last two years urging Ministers to sell off large chunks of the public sector to private enterprise would not seem the most obvious choice as the chairman of a tripartite commission dealing with the growing problems of unemployment.

Yet that is the background of David Young, the 49-year-old whose appointment as chairman of the Manpower Services Commission in place of Sir Richard O'Brien has caused a political row. Mr Young (whose hobbies are sailing, fly fishing and playing with a home computer) has, in the eyes of union leaders at least, several wrong qualifications. He is rich. Conservative, a confidant of Sir Keith Joseph, and (until a few days ago) a director of Sir Keith's Centre for Policy Studies.

Yet Mr Young insists that he believes in the MSC's tripartite approach of harnessing trade union co-operation to solve the problems of unemployment, skill shortages, and apprenticeships.

And his genuine concern is demonstrated by the major role he plays in Organisation for



Mr David Young.

Rehabilitation Through Training (ORTT). This is a Jewish-founded International body founded in Russia 100 years ago which provides vocational training for the needy—it has just started operating with the MSC in Britain to provide electronics training workshops, in areas of high unemployment.

Mr Young first met Sir Keith at an ORT lunch in 1976 shortly after writing to him to express support for the sort of policies Sir Keith was then developing on "personal liberty". This led to an unpaid post as industrial adviser to Sir Keith after the 1979 general election.

At the Department of Industry's Victoria Street headquarters, Mr Young has occupied an 11th floor office alongside Sir Peter Carey, the permanent secretary. He has kept a low public profile that has belied his influence. He designed the 1980 tax allowances for development of small firms' premises and advised on partially privatising the State-owned English Industrial Estates Corporation (of which he became a director), he has also worked on high technology policies and helped to attract the Japanese-owned Sanyo company to Lowestoft. In addition he has been involved in the sale of shares in Cable and Wireless and British Aerospace and in the various changes at British Telecom, while keeping Ministers and civil servants' attention focused on the whole privatisation issues.

"I've been the commercial man in Government. An entrepreneur by nature, I've been a contact for Ministers with the City and a contact between Ministers and nationalised industries," he says.

He has built up a favourable reputation among civil servants as one of the most valuable and co-operative outsiders ever brought into Whitehall by a Minister. He returns the compliment when asked for his view of Whitehall: "These civil servants are really hardworking articulate people," he says.

After qualifying as a solicitor, Mr Young worked for a time as assistant to Sir Isaac Wolfson, then chairman of Great Universal Stores. But he wanted to become an entrepreneur, so left in 1961 to make his money building provincial factories.

From that background, he will bring a businessman's approach to the MSC, perhaps being tougher on the bureaucracy than Sir Richard. But like Sir Richard (who is a leading lay member of the Church of England) he has a deeper concern for the problems of the unemployed and envies policies adopted in countries like Germany and Japan. He now has the chance to use the MSC's £1m annual budget and its 25,000 staff to modernise Britain's manpower policies.

Schmidt wins confidence vote

BY JONATHAN CARR IN BONN

CHANCELLOR Helmut Schmidt of West Germany yesterday won a unanimous vote of confidence from the parliamentarians of his left-liberal coalition, after months of internal wrangling which threatened to undermine his authority.

In a Bundestag (lower parliamentary house) vote here, all 269 members of the Social Democrat (SPD) and Free Democrat (FDP) Government parties expressed their confidence in the Chancellor.

All 226 members of the Christian Democrat (CDU) and Christian Social Union (CSU) opposition parties voted against. Two non-party deputies refused to vote at all, describing the affair as a "meaningless show."

The Chancellor was con-

sidered certain to win the simple majority of 249 votes he needed. But it was felt possible that some left-wing members of the SPD, dissatisfied with Herr Schmidt's security and economic policies, might abstain.

In the event Herr Schmidt gained the best result he could have hoped for. One deputy, recently badly injured, came in a wheelchair. Another had chicken pox, but insisted he was no longer contagious.

Herr Schmidt himself requested on Wednesday that a confidence vote be held after exceptionally difficult—at times had-tempered—negotiations between the SPD and FDP on a new employment programme.

However, in a short speech to the Bundestag yesterday the

Chancellor made it clear that he was linking the vote to his whole policy course abroad as well as at home.

He said he thought it necessary for those in the East and the West to see that coalition support for the Government's foreign and security policy was as strong as ever. Those voters who put the SPD-FDP back into office in October 1980 had a right to be assured that the mandate would be respected in full.

With these comments, Herr Schmidt implicitly conceded that the hickering in the coalition over the past month had thrown the future of the Government itself into doubt.

The result of the vote is likely to strengthen not only

Herr Schmidt's personal position as government leader, but also both coalition parties as well as go into four key provincial elections this year.

The result does not mean there will be no further criticism of the Chancellor's policies. There is, for example, to be a tough debate on Nato's nuclear strategy—and Herr Schmidt's support for this—at the SPD congress in Munich in April.

The opposition parties publicly discounted the vote of confidence in advance. The CSU leader, Herr Franz Josef Strauss, said Herr Schmidt was bound to win because the vote was public and the SPD and FDP want to keep their places at the state trough.

McDonnell Douglas and Fokker drop joint project

By Charles Batchelor in Amsterdam and Paul Betts in New York

FOKKER, the Dutch aircraft group, and McDonnell Douglas of the U.S. said last night that they had pulled out of a joint project to develop and build a 150-seat airliner.

Fokker said the rapid decline of the commercial aircraft market in recent months convinced the two companies that they should withdraw before too much money was spent on the aircraft, code-named MDF-100.

McDonnell Douglas will continue design work on a 150-seat airliner and will also discuss joint venture possibilities with potential partners.

The decision not to go ahead was taken late on Thursday at the McDonnell Douglas headquarters in St Louis.

McDonnell Douglas said the decision to terminate the MDF-100 was the result of insufficient demand.

McDonnell Douglas said it had spent \$150m (£90m) of its own money on the project and the Dutch Government has provided development support worth \$150m.

The two aircraft makers agreed a memorandum of understanding in May 1980 and 500 engineers were working on the project at its peak.

McDonnell Douglas, which last week reported earnings of \$176.6m (£95m) on sales of \$7.35bn last year, recently said it did not expect any major improvement in the state of the airline business in the short term.

According to Fokker the decision to pull out would have no impact on its present work force of 10,000. Of the 2,500 jobs, which the MDF-100 would have created, will not materialise.

Michael Donne writes: The McDonnell Douglas/Fokker decision is a severe blow to those who had hoped to see a 150-seater emerging swiftly.

It now seems that only the European Airbus Industrie consortium remains enthusiastic, with its A-320 programme. Even this is still regarded sceptically by the British and West German governments.

Israeli fighter deal, Page 2

National pay deals for seamen to end

BY JOHN LLOYD, LABOUR EDITOR

THE BRITISH shipping industry is to move away from centralised pay bargaining over the next few years, towards settlements by company and by sector.

The move could make national industrial action—such as the strikes and overtime bans mounted by the National Union of Seamen a year ago—much less likely.

Both sides in the industry appear to welcome the move. The NUS is already near to concluding a separate agreement with Esso, which operates 22 ships employing 500 ratings in the UK. Earlier this week the union's executive gave agreement in principle to the move towards separate deals.

The Esso agreement will also partially exempt the company from the effects of national strike action, on the understanding that the rates paid are considerably above the minimum set by the National Maritime Board.

A clause in the deal specifies that Esso will not normally be involved in national strike action. However if the union decided it should be, it would be given seven days' notice and could appeal to the NUS

executive against the decision. Among other shipping lines which already have separate deals with the union are P & O and Cunard—though they have no clauses on exemption from industrial action.

An attempt was made during the last wage negotiations in November for one group in the industry—the small coastal lines—to come to a separate agreement with the unions because of particularly severe pressure. The move came too late and the coastal lines were included in the final settlement of 8 per cent for officers and ratings.

Officials of the General Council of British Shipping, the employers' body which conducts national level bargaining, believe national negotiations will continue for four or five years, then give way to company or sector bargaining.

They believe that some areas, such as the container lines, may wish to band together to offer common rates. Other companies may wish to do a collective contract.

National union agreements cover about 80,000 officers and ratings employed on UK ships and on UK national

Sealink will continue Dieppe ferry

By Ivo Dawkins, Labour Staff

SEALINK U.K. said last night that it was prepared to revoke its decision to pull out of the Newhaven-Dieppe cross-Channel ferry service. This follows concessions from its French partner, SNCF, on the management of the route.

After seven hours of talks with the French railway company in Paris yesterday Mr Len Merrylee, managing director of Sealink, called a meeting with seamen's unions on Monday to discuss working practices on the route.

The move is likely to be regarded as a vindication for the 240 officers and ratings who have occupied the 5,580-ton Senlac at Newhaven since the company announced its plans to withdraw from the service five weeks ago.

The crews were issued with redundancy notices after Sealink's revenue fell in three months of talks to persuade the French to introduce a newer and larger vessel. Last year the service lost £3m.

SNCF, which holds a two-thirds share in the business, had refused to alter the financing agreement under which Sealink was obliged to support the heavier losses of the two French ships.

It is believed that SNCF has now agreed to replace one of the smaller ferries with the modern 4,580-ton Chantreaux, at present on the short-haul Straits of Dover routes.

Neither company would elaborate on details of the deal last night, though Sealink said the position looked "much more optimistic."

Mr Sam McCluskie, assistant general secretary of the National Union of Seamen, described the move as a "great victory."

Hopes for rail inquiry, Page 3

Poland Continued from Page 1

Union were threatened at a later date.

The Government had decided not to make available any credits for Poland, Mr Atkins said. The effect of the move is to eliminate insurance cover by the Export Credits Guarantee Department from British exporters selling in Poland.

At the same time, the Government has frozen existing officially guaranteed credits. This means that £12m of credits left over from the Polish Government agreement agreed to support last year will no longer be available for the Polish purchase of UK foodstuffs and industrial raw materials.

The Government has qualified this measure, however, to the extent that British companies with contractual obligations will be safeguarded.

The decision to hold up official debt re-scheduling talks

will cost ECGD about £100m this year to meet guarantees to banks. Last year, in the wake of the re-scheduling agreement of the 1981 Polish debt, it had to meet payments of £60m.

Other measures announced yesterday include the restriction of Polish officials to within 25 miles of their consulates in London and Glasgow, an increase in BBC Polish language broadcasts from 21 hours a week to 24 hours a week, and an end to further cheap EEC sales of food in the Polish Government.

Funds will be channelled instead to voluntary agencies in the UK which provide humanitarian aid to Poland.

Similar travel restrictions have been placed from today on Soviet diplomats, with a reduction in both Anglo-Soviet technical co-operation and the licensing of Soviet factory ships which buy fish caught in British waters.

The decision to hold up official debt re-scheduling talks

Laker fate Continued from Page 1

"Lakers are mindful of the views of others, and recognise that they must act in a totally responsible way. Accordingly, it is with the utmost regret that Laker has requested Clydesdale Bank to appoint a receiver and manager."

"Sir Freddie would like to thank the enormous support he has received from the public over the years, and hopes that with the demise of his airline the benefits gained for the ordinary traveller will not be lost."

Clydesdale Bank appointed Mr William Mackay and Mr Nigel Hamilton, both partners of Ernst and Whinney, to be joint receivers and managers.

The formal statement from the Clydesdale Bank said that the appointment of receivers "follows over six months of negotiations with Laker Airways, its bankers and aircraft manufacturers to resolve continuing and mounting cash flow difficulties."

"Despite the extensive efforts by the many interests involved it was not found possible to reach a satisfactory solution to the serious financial problems that confronted Laker Airways."

Laker Airways is 90 per cent owned by Sir Freddie Laker himself, the other 10 per cent of the shares being held by his first wife, Joan. The company is registered in the Channel Islands.

In the Commons, Mr Iain Sproat, Under Secretary for Trade, said that the Government was prepared to look into the question of whether a Department of Trade investigation into the collapse of Laker Airways was justified under Section 185 of the Companies

Act. Under that Section, the Department can appoint inspectors to look into the affairs of any company, and make a full report, where it considers such a course is justified.

Mr Sproat rejected Opposition criticisms of Sir Freddie Laker. "Sir Freddie is a very great man who has done wonderful things for passengers around the world, providing them with cheap air travel," he said.

The Laker collapse had not deterred the Government from its long term plan to privatise British Airways.

Mr Sproat said that Laker Airways had made no approach to the Government for support in its problems until Thursday. "Then at lunchtime Sir Freddie telephoned me to tell me what the situation was."

"I considered the possibilities under Section Eight of the Industry Act, and said with great reluctance that it was not appropriate." Section Eight deals with Government aid for hailing out companies in financial difficulties.

The Prime Minister and several Cabinet colleagues are understood to have met on Thursday following Sir Freddie's phone call.

Ministers present are believed to have included Sir Geoffrey Howe, the Chancellor, Mrs Sally Oppenheim, Mr Sproat and Mr Humphrey Atkins. Mrs Thatcher is believed to have been approached by a number of Tory MPs throughout the evening, all pressing for Government support for Laker Airways.

Several Cabinet Ministers who were not present at the

meeting are understood to be deeply upset by the collapse of Laker Airways and by the Government's decision not to help. They feel that Laker Airways epitomises much of what is positive in the Government's economic policies, and that more might have been done to back him.

A statement from the Clydesdale Bank last year referred any questions to the joint receivers, and said: "We cannot add anything to this information at the present time, except to say that, after being bankers to Sir Freddie Laker and his various companies for more than 30 years, we are very sad indeed that it has become necessary to take this step."

The Laker collapse was accompanied by tearful scenes at Gatwick and Manchester as staff, shocked by the news, tried to comfort each other and would-be passengers.

By late yesterday the entire Laker fleet of three A-300 Airbus and 11 DC-10s was back in Britain. One of the DC-10s at Gatwick was impounded by the British Airports Authority as security against sums owing to the BAA—landing fees, parking charges and debts.

"If the receiver decided that he wanted the aircraft to fly, we would be prepared to talk about it," the authority said. The aircraft was towed away to a remote part of the airport on the orders of Mr Pat Bailey, Gatwick Airport's director.

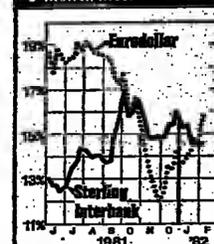
In addition to the three Airbus and 11 DC-10s, the airline had an outstanding order for another seven A-300 Airbus. This is now expected to be cancelled.

THE LEX COLUMN

Why Laker ended in the drink

Index rose 3.3 to 578.1

3-month Interest Rates



The collapse of Laker Airways is a classic example of the dangers of high financial gearing and currency exposure. It also highlights the shortcomings of syndicated bank loans. What started off as a balance sheet problem has been turned into a fatal cash drain by a growing awareness among the travelling public that Laker was becoming a bad credit risk.

In financial terms, the main losers are the aircraft manufacturers. Laker's total debts amount to some £250m, and liabilities exceed assets by some £20m. But that is on the basis of taking the £20m or so of aircraft assets at cost. In a forced sale, the deficiency would be greater.

Their guarantees are likely to cost McDonnell Douglas £25m, General Electric of the U.S. about £5m and Airbus Industrie around £18m. Midland Bank which has a floating charge on Laker's assets, could lose something like £10m.

But Midland's losses are not just financial. It now seems clear that a prime reason for the crash was the purchase of three A300 aircraft from Airbus Industrie, which was made possible by a loan facility of \$131m led by Midland just over a year ago. This overextended an already extended balance sheet. And as the pound fell against the dollar, Laker's equity base disappeared. Adverse currency movements have boosted the company's liabilities by some £30m, which more than accounts for today's deficiency.

Although the members of the lending syndicate are unlikely to lose much, if anything, the failure of a big consortium loan at such an early stage of its life is extremely embarrassing for Midland. Even allowing for hindsight, it is difficult to conceive how bankers were prepared to offer a facility which the borrower was so ill-equipped to afford.

The international airline industry was on the skids when the loan was made, and Laker already looked insecure. Currency gains accounted for all its reported profits in 1979-80, and its debt exceeded its equity by a factor of about 5 to 1 before the loan was made. Sterling was overvalued by almost any standard, and since about two-thirds of Laker's revenue came in the form of sterling, the airline was cruelly exposed to any setback.

One extraordinary feature is that although Laker was able to raise all this money, it was apparently not deemed sufficiently creditworthy to secure

forward cover on its currency risk. Admittedly the loan was "secured," to the extent that Airbus Industrie had undertaken to pay the first 25 per cent of any loss. But that cushion looked increasingly less comfortable as the year wore on and the industry's problems multiplied. Moreover, it may well have encouraged the banks to be less accommodating than otherwise might have been the case. The re-scheduling agreement last autumn broke down because three members of the syndicate—two German and one Austrian—concluded that they would get all their money back if the planes were sold quickly.

A lending syndicate is only as strong as its weakest member, and in times of trouble it is always difficult to get a unanimous decision. In this case, the conflicts of interest which followed from tying suppliers into the loan arrangements have proved insurmountable.

Admittedly Midland may well have felt under special pressures to make the loan available. Airbus badly needed a UK customer, and it would have been a political blow if Laker had sought American. But it is hard to escape the conclusion that if the bankers had taken a more hard-nosed approach, yesterday's sad story might have been averted.

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European Law Letter

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